

GENERAL SERVICES ADMINISTRATION
Washington, DC 20405

CFO 4253.1C CHGE 1
August 21, 2020

GSA ORDER

SUBJECT: Accounts Receivable and Debt Collection Policy Manual

1. Purpose. This Manual establishes general standards for implementing General Services Administration (GSA) financial transactions and procedures. This Manual includes guidelines for internal control policies and procedures for managing cash and accounts receivable, the servicing of Federal and non-Federal receivables, and debt collection tools.
2. Background. This Manual establishes uniform policies for accounts receivable functions and provides guidance on procedures and operational requirements for GSA. This Manual does not include every policy or procedure; however, the manual is a useful supplement to other regulations and guidelines on managing accounts receivable, including Federal Accounting Standards Advisory Board (FASAB) pronouncements, Office of Management and Budget (OMB) circulars, Department of Treasury Financial Manual (TFM), and various public laws (PL).
3. Applicability. This Manual provides policy guidance for personnel working with accounts receivable and debt collection functions and transactions, such as those assigned to the Office of the Chief Financial Officer (OCFO), GSA's Federal Shared Service Provider (FSSP), and those in the Services and Staff Offices (SSOs) who assist these personnel.
4. Cancellation. This Manual cancels and supersedes CFO 4253.1C.
5. Explanation of Change Paragraph. Changes to CFO 4253.1C were required to address an accounting pronouncement of the FASAB, Technical Bulletin 2020-1—*Loss Allowance for Intragovernmental Receivables*. The required updates in this Manual were limited to Chapter 4, Allowances and Write-offs, Part 1, Allowances. The FASAB guidance clarified requirements for the recording of allowances for losses for Federal

accounts receivable balances that are likely to be uncollectible. Language was removed from Part 1, that had limited such allowances in accordance with the TFM, which has since been superseded.

6. Responsibilities. If you have any questions regarding this Order, please contact Edward Gramp at edward.gramp@gsa.gov or by phone on (202) 501-0593.

7. Signature.

/S/ _____
GERARD BADORREK
Chief Financial Officer
Office of the Chief Financial Officer

Accounts Receivable and Debt Collection Policy Manual

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CHAPTER 1. GUIDELINES, INTERNAL CONTROL, AND CASH MANAGEMENT

PART 1. INTRODUCTION

1. Purpose. This chapter establishes guidelines and internal control policies and procedures for managing cash and accounts receivables. The Department of the Treasury (Treasury) Bureau of the Fiscal Service (Fiscal Service) requires Federal Program Agencies (FPA) to monitor cash and implement effective internal control policies and procedures to prevent fraud, waste and abuse.
2. Applicability. This information provides policy guidance to those who are performing billing, accounts receivable, and collection functions.
3. Responsibilities. The FSSP FMLOB will partner and assist SSOs in identifying and assessing risks related to accounts receivable functions; and developing, executing, and maintaining guidance that delineates responsibilities and procedures for internal control policies and procedures for managing cash and accounts receivable. The FSSP FMLOB is an entity that seeks to improve the cost, quality, and performance of Government processes by consolidating agency core financial management functions and standardizing related business processes governmentwide. The accounts receivable function includes the following responsibilities:
 - a. Billing customers for goods and services;
 - b. Establishing and adjusting income accruals;
 - c. Maintaining the accounts receivable subsidiary records;
 - d. Classifying and recording deposits and collections received;
 - e. Accounting and collecting receivables;
 - f. Accounting and collecting non-Federal claims;
 - g. Preparing correspondence and answering inquiries regarding bills rendered, accounts receivable, and collection items;
 - h. Reporting and collecting delinquencies; and

- i. Reviewing and monitoring Unfilled Customer Orders (UFCOs).

4. Statutes, Regulations, and Guidance governing Accounts Receivable and Cash Management Operations.

a. The Debt Collection Improvement Act of 1996 (DCIA), 31 United States Code (USC) § 3701 et seq., expands the Government's right to use collection tools such as private collection agencies and offset of Government payments.

b. Relief of Liability for Accountable Officials and Agents, 31 USC § 3527 and 3528, provides standards for Federal agencies in providing relief to accountable officials. In addition, 31 USC § 3529 allows disbursing and certifying officials and heads of agencies to request advance opinions concerning the disposition of funds from the Comptroller General.

c. Chief Financial Officers Act of 1990 (CFO Act) 31 USC § 9105 et seq., provides guidance on effective financial management practices for the Federal Government's financial management, accounting, and internal control systems.

d. Administrative Dispute Resolution Act of 1986 (ADRA), 5 USC Section 584 § 8, raised the authority of agencies to compromise, suspend, and terminate collections up to \$100,000 and gives the U.S. Attorney General authority to increase this threshold administratively.

e. Digital Accountability and Transparency Act of 2013 (DATA Act), Section 5 of the DATA Act amended 31 USC 3716(c)(6) which, requires agencies to refer to Treasury valid, delinquent non-tax debts for the purpose of administrative offset at 120 days, which is 60 days earlier than the previous 180 day requirement.

f. Federal Credit Reform Act of 1990, 2 USC § 661, a through f, requires agencies to estimate a credit program's subsidy cost for direct and guaranteed loans for inclusion in budget outlays.

g. Federal Debt Collection Procedures Act of 1990 (FDCPA), 28 USC § 3001 et seq., established a uniform process through the court system for collecting debts owed the Federal Government and provides for uniform procedures for enforcing judgments to collect Federal debt.

h. Federal Claims Collection Standards (FCCS), 31 Code of Federal Regulations (CFR) Parts 900-904, provide general rules on debt collection for Federal agencies.

i. Fraud Reduction and Data Analytics Act of 2015. This act requires OMB to establish guidelines for Federal agencies to establish financial and administrative controls to identify and assess fraud risks and design and implement control activities to prevent, detect, and respond to fraud, including improper payments.

j. TFM, Volume 1, contains procedures related to accounts receivable policies for collections, deposits, credit management, debt collection, and central accounting and reporting.

k. GSA accounting policy and procedures are set forth in:

- [CFO 4260.1, CFO Manual Volume 1](#)
- [CFO P 4260.2, CFO Manual, Volume 2, Financial Reporting Requirements](#)

l. Chief Financial Officer (CFO) Delegations of Authority, [CFO 5450.1 CHGE 3](#), outlines delegations of authority from the CFO to officials within the OCFO.

m. Federal Acquisition Regulation (FAR), 48 CFR. 32.610, Compromising Debts, provides policy guidance on the authority to compromise debts.

n. GAO, Principles of Federal Appropriation Law (also known as The Red Book), provides guidance on the availability or unavailability of receipts for agency use.

o. OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, provides guidance to Federal managers on efforts to improve the accountability and effectiveness of Federal programs.

p. OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables, prescribes policies and procedures for justifying, designing, and managing Federal credit programs and for collecting non-tax receivables.

q. Cash Management Improvement Act, 31 CFR 205 Final Rules, and TFM, Volume 1, Part 6, Chapter 8000.

r. GSA Order, [ADM 5450.39D CHGE 8, Delegations of Authority Manual, Chapter 8, Office of the Chief Financial Officer \(OCFO\)](#).

s. GAO "A Framework for Managing Fraud Risks in Federal Programs." (GAO-15-593SP) Each agency is required to submit, as part of its annual financial

report, a report on its progress in implementing such financial and administrative controls.

PART 2. GENERAL GUIDELINES

5. Recording Receivables. GSA recognizes a receivable on the sale of goods, properties, services and when creating claims for cost-recovery and overpayment items. This includes items ordered through interagency agreements, whether payment is collected through the Treasury Intragovernmental Payment and Collection (IPAC) system or other billing method. Collections are recorded when received through automated and non-automated lockboxes or other means. Basic accounts receivable activities include:

- a. Recording receivables promptly;
- b. Determining and reporting the source and age of receivables;
- c. Making continual, timely attempts to collect receivables due;
- d. Identifying uncollectible receivables;
- e. Validating non-Federal write-offs and settlement or forgiveness of debt;
- f. Collecting, controlling, and reporting repayments under applicable laws and regulations; and
- g. Recording, filing, and securing title to property used as collateral.

6. Billings.

a. GSA provides billing and supporting documentation containing necessary information to allow customers to identify their requisition, purchase order or other ordering document for review by the customer. The billing must also identify any advance payments that were received. GSA has an electronic platform established that enables customers to access their billing information online.

b. Bills shall generally be prepared and issued promptly after notification that goods have been shipped, released, or services have been performed. Billing terms will be outlined in an agreement with a customer.

c. Receivables are classified as either “Unbilled” or “Billed” in the financial system of record to identify the processing status of billing records. Initially all billing records are classified as “Unbilled.” Unbilled accounts receivable balances are comprised of all accruals and billing records that have not completed final processes that generate billing statements and records necessary to transmit billing information to customers. On a monthly basis, as the billing processes complete and billing statements are created in the financial system of record, the corresponding status “Unbilled” is reclassified as “Billed.”

7. Classification of Federal and non-Federal Receivables.

a. In accordance with proper financial reporting guidelines, receivables must be classified as either Federal or non-Federal for financial statement and general ledger presentation. Classification of receivables depends on the customer’s source of funding provided in the reimbursable agreement. If the source of funding is from a Federal account listed in the *Treasury Federal Account Symbols and Titles (FAST) Book*, then the associated receivable shall be classified as Federal. If a customer uses any other source of funds to reimburse GSA, then the associated receivable shall be classified as non-Federal. Federal receivables must capture the attributes needed for our Federal partners to identify the source of the receivable to minimize interagency differences. Feeder systems passing information into Pegasys must pass the required attributes to assist with reducing Intergovernmental differences.

b. In accordance with FAR 51.1 and 51.2, contractors that are sponsored by Federal agencies shall retain their non-Federal status and be classified as a sponsored vendor for financial reporting purposes. Sponsored entities are contractors who use Government supply sources in performing Government cost-reimbursement contracts. For a contractor to claim sponsorship status, a written authorization must exist between the Federal Agency and contractor.

c. Agency Bureau (AB) codes are aggregate groupings of customers used to identify major organizations within an agency. Furthermore, when vendor and customer codes are internally created, attributes are included to support classification of Federal and non-Federal receivables. For the most current listing of the AB codes, please refer to the financial system of record for the most current codes available. The OCFO Office of Financial Management (BG) is responsible for establishing or changing AB codes and determining the documentation required for these codes. When requested to establish a new AB code, PBS Analytics Division (BID) or FAS Analytics Division (BIE) checks existing AB codes for a specific customer; if none exist for the customer the BID or BIE identifies an available AB code and sends a request to the FSSP FMLOB to

establish that AB code for the customer within the financial system of record.

8. Collections and Deposits.

a. GSA and the FSSP FMLOB must take aggressive timely action to collect receivables owed on a timely basis, using effective follow-up procedures.

b. Deposit procedures must ensure funds are promptly recorded and deposited to the appropriate GSA fund or General Fund of the Treasury in accordance with regulations.

9. Accruals. SOPs for each program must ensure all significant amounts of income earned during each accounting period must be recorded before the month-end closing and minimize the need for worksheet adjustments. Record income directly from billing documentation when appropriate. If billing documentation is not available, accrual records must be used to record estimates of income earned during each month. Revenue is generally recognized in the month goods and services are provided. Additionally, revenue from sales of commodities shall be recognized on delivery. At the end of each month, interest earned but not received must be accrued through the last day of the month and recorded before the month-end closing. Bills and dunning notices for delinquent interest bearing accounts must include interest chargeable through the date of the billing. Also, accrued interest, penalty, and administrative costs on non-Federal claims when they are referred to Debt Management Services (DMS) of Treasury's Bureau of the Fiscal Service for cross-servicing collection, or to the Department of Justice (DOJ).

10. Data Universal Number System (DUNS) Number.

a. GSA, as an entity buying and selling with Federal and non-Federal trading partners, has registered itself and obtained unique DUNS numbers corresponding to its organizational structure. The FSSP FMLOB is responsible for establishing, changing, and registering GSA DUNS numbers within the System for Award Management (SAM). The FSSP FMLOB is also responsible for periodic recertification of GSA DUNS information in SAM.

b. SSOs are not authorized to directly register DUNS numbers, in an effort to provide for consistency across GSA. SSOs requesting establishment of new DUNS numbers for their organizations must submit such requests through the CFO Office of Analytics, Performance and Improvement (BI), which will provide the FSSP FMLOB

with a hierarchy code along with the entity name and address to establish the DUNS number. The SSO will provide any additional information requested by the FSSP FMLOB to establish the account. The FSSP FMLOB will contact BI and the SSO when the account has been established or changed.

PART 3. INTERNAL CONTROL AND FRAUD PREVENTION AND DETECTION

11. Introduction. BG has primary responsibility to maintain internal controls for preventing and detecting fraud in cash and accounts receivable management, in conjunction with the FSSP FMLOB.

12. Internal Control Objective. Internal controls are the mechanisms an organization uses to achieve its mission, and at the same time, attain certain management or control objectives such as operational efficiency and effectiveness. Internal controls help to ensure compliance with laws, regulations, and policies; the safeguarding of assets and the preparation of accurate and reliable information. The ultimate responsibility for strong internal controls resides with an organization's management. Inherent to establishing internal controls is the identification and assessment of risks that program objections may not be met. Internal controls should be developed and exist within each event cycle and among transaction cycles to appropriately address such risks; thus, internal control objectives need to be developed and followed for the processes in the accounts receivable cycle.

13. Government Accountability Office (GAO) Standards. Section 3512 (c) and (d) of Title 31 of the USC (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)), requires the Comptroller General to issue standards for internal control in the Federal Government. Standards for Internal Control in the Federal Government (known as the Green Book), provide the overall framework for establishing and maintaining an effective internal control system. Further it defines the standards through components and principles and explains why they are integral to an entity's internal control system. The Green Book clarifies what processes management considers part of internal control. In a mature and highly effective internal control system, internal control may be indistinguishable from day-to-day activities personnel perform.

14. Internal Operation Review. GSA and the FSSP FMLOB must implement procedures to review their accounts receivable activities and periodically perform risk assessments to ensure compliance with internal control requirements. For example, one internal control that is required in the accounts receivable operation is the review of employee work by supervisors. The supervisor or designee must monitor billings,

delinquencies, and collections. This technique pinpoints areas of inadequate control and allows identification of ways to make the operation more efficient.

15. What to Do if You Suspect Fraud.

a. There is a difference between accounting errors, which may result from mistakes, poor management oversight or weak internal controls, and fraud. A customer billing error may occur because the proper internal control is weak or nonexistent; this is not fraud. Fraud is an intentional deception made for personal gain or to damage another individual or entity. Proving or demonstrating fraud requires intent. For example, if it can be demonstrated that an employee prepared incorrect billings for a customer and then kept the collected amounts, this would constitute fraud. In many cases of fraud there may be collusion between more than one employee and the customer.

b. Any employee that suspects or detects fraud must promptly report it to an official in their chain of command or directly to the Office of the Inspector General (OIG). The Inspector General Act assures the right of each employee to refer complaints and suspicions of wrongdoing directly to the OIG. Furthermore, 5 CFR Part 6701.107, supplemental standards of ethical conduct for employees of the GSA, states that GSA employees shall disclose immediately any waste, fraud, abuse, and corruption to appropriate authorities, such as the OIG. If fraud is directly reported to any GSA official, that GSA official must immediately report the matter to the OIG.

16. Separation of Duties. Separation of duties helps reduce the opportunity to misuse cash receipts and accounting records to conceal errors or fraud. The accounting practice and procedure requiring separation of duties is based on fundamental internal control concepts. It requires individuals responsible for handling cash receipts should not participate in the accounting or operating functions related to any of the following:

- a. Shipping of goods and billing for goods and services.
- b. Controlling accounts receivable and subsidiary ledgers.
- c. Preparing and mailing statements of balances due.
- d. Authorizing and approving credits for returns and allowances or for adjustments of amounts due.

17. System Edits. Important controls for detecting fraud and abuse are the edits programmed into accounting systems. System edits screen transactions entered

against predetermined requirements and compatibility checks to other data elements that are required for all incoming financial transactions. Although the edit system ensures consistency in accounting entries, it is only part of the overall system of internal control. System edits are more effective if they are not manipulated. All transactions that do not pass system edits must be cleared and corrected in a timely manner, to ensure the accuracy of financial reporting.

18. Rotating Office Responsibilities. Rotating and detailing employees into different work areas or switching workload assignments within the work area will contribute toward preventing infractions, accounting discrepancies, and other undesired actions; whether intentional or unintentional. GSA and the FSSP FMLOB must take appropriate care and develop the necessary standard operating procedures to prevent these undesired actions.

19. Physical Security. Cash must be safeguarded against waste, loss, unauthorized use, and misappropriation. Cash and negotiable instruments are highly susceptible to theft or loss. The risk of loss may be reduced by taking the following steps:

- a. Allow only authorized personnel access to the cash handling activity.
- b. Safeguard cash by using effective internal control procedures to record incoming cash and checks.
- c. Physically secure cash and checks in a locked safe or drawer until deposited.

PART 4. CASH MANAGEMENT

20. General. Federal agencies are required to effectively conduct financial activities to make the maximum amount of cash available to the Treasury on a continuing basis for investment and to avoid unnecessary borrowing. The primary objectives of effective cash management are to accelerate receipts, control disbursements, reduce idle funds, and return surplus cash to Treasury.

21. Responsibilities. Heads of Services and Staff Offices (HSSOs) and Regional Commissioners (RCs) are responsible for ensuring the provisions of this chapter are incorporated into their orders, manuals, and desk guides wherever applicable, and are included as an integral part of their comprehensive audit and review of programs. Copies of GSA internal audit reports relating to the subject of cash management shall be provided, upon request, to the Cash Management Regulations and Compliance Staff of Treasury. BG is responsible for:

a. Establishing a system of controls to monitor GSA cash balances, management practices, and to provide a periodic, but not less than annual, review of these practices to ensure they comply with the policies contained in this chapter; and

b. Reporting summary reviews of GSA cash management practices to Treasury.

22. Cash Management Policy. The FSSP FMLOB must implement the following cash policy:

a. Timely Deposit of All Funds Collected. All individuals, except those in the FSSP FMLOB, must deliver receipts to individuals that have been designated to collect money in their Regions. Individuals in the FSSP FMLOB must forward receipts to their collection unit for deposit.

(1) Receipts of cash must be recorded the same day they are deposited.

(2) Receipts for cash and checks of \$5,000 and below must be deposited within three business days.

(3) Over-the-counter cash and checks over \$5,000 must be deposited within one business day.

(4) Ensure documentation and adequate internal control procedures such as segregation of duties, management reviews, reconciliations, and/or other appropriate controls are implemented to safeguard GSA cash and checks.

b. Debt Collection Programs. Debt collection programs must be comprehensive, aggressive and uniformly applied. They must provide cost-effective collection procedures consistent with good business practices, leading to collection, referral for legal action, or termination of collection activity. Written demands for outstanding receivables shall be made promptly. Detailed procedures regarding non-Federal receivables and claims are provided in Chapter 3.

c. The Debt Collection Improvement Act (DCIA). DCIA provides a greater array of debt collection tools, including expanding offset authority and increasing use of cross-servicing and private collection contractors. Agencies are authorized to deduct fees for cross-servicing from collections. Fees may be added to debt for administrative costs. DCIA also provides for the following:

(1) Debts referred or transferred to Treasury-designated debt collection center(s) for collection are serviced in accordance with statutory requirements, and

(2) Section 5 of the DATA Act amended 31 USC § 3711(c)(6) and requires agencies to refer valid, delinquent non-tax debts to Treasury for collection when they are 120 or more days delinquent.. Agencies are also encouraged to consider referral of debts less than 120 days delinquent to Treasury designated collection centers. DCIA provides five specific statutory exemptions from referral for debt as follows:

(a) In litigation or foreclosure;

(b) That will be disposed of under an established asset sales program (within a specific timeframe);

(c) Referred to a private collection contractor for a period of time determined by the Secretary of Treasury;

(d) Referred by, or with the consent of, the Secretary of Treasury to a Treasury-designated debt collection center for period of time determined by the Secretary; or

(e) Collected by internal offset.

23. Collections. Timely processing of collections is one of the primary objectives of effective cash management. Any increase in funds available to Treasury reduces the amount Treasury must borrow. Financial management employees must be aware of cash management regulations and make every effort to institutionalize effective cash management practices into collection processes to ensure effective and efficient management of the U.S. Government's cash.

a. The FSSP FMLOB collection process must include the requirements listed below:

(1) Financial systems must be designed to adapt to the volume and character of collections, maximize the availability of cash to Treasury on a continuing basis, and ensure effective and efficient management;

(2) Collection procedures shall assure prompt and continuing action to collect and minimize outstanding receivables; and

(3) Collection options available for consideration when developing or strengthening collection practices include, but are not restricted to the following:

(a) The Treasury lockbox system, Automated Clearing House (ACH), Fedwire Deposit System (FDS), Treasury Offset Program (TOP), Pay.Gov, Treasury Cross-Servicing, Administrative Wage Garnishment, and Federal Salary Offset are collection mechanisms by which amounts are transferred to a Federal agency from an outside source or from another Federal agency. All of these mechanisms are authorized by Treasury and can be used to collect money; to reduce administrative processing; improve deposit reporting; improve the availability of funds to the Government; and enhance convenience to remitters in paying their bills. All funds from non-Federal entities shall be collected by Electronic Funds Transfer (EFT) when cost-effective, practicable, and consistent with current statutory authority.

(b) IPAC's primary purpose is to provide an automated, standardized, inter-agency funds expenditure transfer mechanism for FPA. It facilitates intragovernmental e-commerce by transferring funds, with related descriptive data, from one FPA to another on a real-time basis. The IPAC system enables FPA to exchange accounting information and to transfer funds between agencies involved in buyer/seller relationships. It establishes standardized inter-agency payment, collection, and adjustment procedures through an Internet-based application. Use of the IPAC System helps alleviate governmentwide problems concerning reconciliation of agency accounts caused by manual, paper-based, labor-intensive methods for inter-agency funds transfer. Immediate payment or adjustment is accomplished through the use of an ALC and Treasury Account Symbol (TAS) code.

(c) Treasury conducts reviews of agency cash flow, corresponding cash management processes, mechanisms, and cost-benefit analysis after they receive a request for access to collection systems. Treasury will authorize and assist GSA in the implementation of the request or the appropriate collection system when the service is cost beneficial to the Government. Treasury will also work with GSA on operational issues and resolutions of problems.

b. Collection of late payments. Assessment and payment of late charges (interest, penalties, and administrative costs), does not relieve the debtor of the obligation to pay when due. Payments received shall be applied in the following order:

- (1) Penalties
- (2) Administrative costs

- (3) Interest
- (4) Principal

In cases where late payment charges have been waived or are prohibited by law, the payment received shall be applied to principal. Charges for late payments must be inserted in all contracts, agreements, or other formal payment arrangements. Initial notice of amounts due, when covered by contracts, agreements, or other formal payment arrangements, will inform the debtor of the reason for indebtedness, the due date, and the debt late charge penalty for payments received after the due date, as well as the debtor's rights. Charges for payments received after the due date shall be assessed on non-Federal accounts receivable in the form of interest, penalty, and administrative charges as provided for in DCIA and the Contract Disputes Act of 1978.

24. Miscellaneous Deposits. Every effort shall be made in the FSSP FMLOB to process deposits in a manner that expedites the flow of funds to Treasury. Deposit procedures must ensure the transfer of deposits to Treasury without delay. Deposit systems and procedures shall include provisions for separating payments received (cash, checks, money orders) from other accounting documents at the earliest processing point practical.

a. Processing Deposits. The FSSP FMLOB must use expeditious procedures in the receipt processing to minimize the amount of time between the initial receipt of a payment and the presentation of that receipt for deposit. Priority will be given to procedures that will improve the timeliness of availability of funds to Treasury.

b. Deposit Requirements. Frequency of deposits will depend on the amount of funds received by a depositing office. The guidelines for the frequency of deposits are contained in TFM, Volume 1, Part 5.

CHAPTER 2. BILLING AND SERVICING FEDERAL RECEIVABLES

PART 1. BILLING

1. OCFO Policies Regarding Duties.

a. Sales and accounts receivable should be recorded and billed as soon as possible in a timely manner which is either on a monthly basis or in accordance with the inter-agency agreement. If the exact amount is unknown, a reasonable estimate may be billed.

b. Earned but unbilled receivables and accruals shall be recorded at the end of each monthly accounting period and billed in the next cycle or in accordance with the inter-agency agreement.

c. Receivables for services shall be recognized as income only as services are performed.

d. Amount billed and due from a customer is the net price after all applicable charges and discounts. This amount will be recorded as the receivable and related revenue.

e. Detailed subsidiary records by debtor and fund are to be maintained.

f. Subsidiary records should support amounts on the balance sheet.

g. Detailed procedures for some billings are contained in memoranda and other documents maintained by the respective SSO. SSO's should maintain detailed procedures to support pricing policy and billing records.

h. Schedules regarding billing cut off dates, deadlines and accounting system descriptions are maintained by the FSSP FMLOB.

2. References to FASAB and Treasury Policies.

a. FASAB Statement of Federal Financial Accounting Standards (SFFAS) 1, Accounting for Selected Assets and Liabilities, includes Federal policy for accounts receivable, interest receivable, and advances and prepayments.

b. FASAB SFFAS 7, Accounting for Revenue and Other Financing Sources and

Concepts for Reconciling Budgetary and Financial Accounting.

- c. FASAB Technical Bulletin 2017-01, Intragovernmental Exchange Transactions.
- d. TFM, Volume 1, includes guidance on payments by Federal agencies, IPAC, and adjustments for erroneous charges.
- e. FAST Book. The FAST Book is a supplement of TFM and lists receipt, appropriation, and other fund account symbols and titles assigned by Treasury. The FAST Book identifies Federal TAS symbols and is used in the process of identifying where a receivable should be classified as Federal or non-Federal.

3. Non-IPAC payments. The primary authority for agencies to pay GSA promptly is contained in the Federal Property and Administrative Services Act of 1949, as amended, at 40 USC § 4900, 756(b) and 757. The Economy Act, 31 USC § 1535 also states that payment for intra-agency agreements shall be made promptly.

PART 2. SPECIAL PROCEDURES

4. Billings to State Offices of the United States Congressional Staff.

a. Rent. GSA submits a monthly bill for the rent on all office space provided to congressional staff in buildings controlled by GSA. Each bill includes the amount for rent, standard building services and adjustments to reflect changes in space and to correct any errors in the preceding month's bill. Rent bills and Reimbursable Work Authorization (RWA) bills are sent to the State Office Liaison, Office of the Sergeant at Arms, House and United States Senate., Room S-321, U.S. Capitol Building, Washington DC 20510.

b. Furniture. The Office of Congressional and Intergovernmental Affairs (OCIA) submit a quarterly bill for furniture to the State Office Liaison. The Congressional Inventory System (CIS) figures accompany the bill to substantiate the charges. Furniture charges are derived in the following manner:

(1) The CIS assesses a user charge for office furniture purchased that recovers the purchase price over the estimated life of the furniture, generally 12 years. When GSA recovers the acquisition cost for the furniture, no further charges are assessed.

(2) When an item is removed from an office and is not reassigned to another office space, the Sergeant at Arms is billed for the amount still owed to GSA for the original purchase price of the furniture.

c. Telephone Service. GSA submits a monthly bill for telecommunication services (local service and message units) provided to state offices. The bills are sent to the Financial Assistant, Senate Telecommunications Department. The House of Representatives telephone bills are sent to the Finance Office, House of Representative.

d. Miscellaneous Reimbursable Expenses. OCIA will submit a monthly bill for miscellaneous reimbursable expenses to the State Office Liaison. These expenses include carpets, draperies, window blinds, furnishings, furniture repair, furniture rehabilitation, moving and transportation costs, renting commercial storage space, and all other services not related to space alterations or adjustments. Copies of GSA financial obligations to substantiate the charges must accompany the bill.

PART 3. SERVICING FEDERAL RECEIVABLES

5. General. The FSSP FMLOB in coordination with the SSO must take aggressive action on a timely basis, with effective follow-up to collect all bills, claims, and debts owed to GSA. Debtors are more likely to pay when first requested if GSA has a vigorous collection policy for all receivables.

6. Guidelines.

a. Controlling Correspondence. When servicing Federal receivables, GSA and the FSSP FMLOB will respond promptly to communications from the debtor. Incoming correspondence should be controlled to ensure responses are timely.

b. Follow-up Files. Paper and/or electronic files are maintained for correspondence with customers. Supporting documentation related to follow-up action on delinquencies must be maintained.

c. Disputed Billings. When a customer advises the accounts receivable office by letter, or telephone, or other electronic means that an outstanding bill is not being paid because the customer disagrees with the billing amount, the bill should be considered in dispute. If only a part of the billing is disputed, GSA and the FSSP FMLOB will advise the customer to pay the undisputed amount. Additionally, customers with disputed bills should be referred to the appropriate SSO, especially when verifying the

validity of the bill. Disputed Federal bills shall be resolved in accordance with the TFM, Volume 1, Chapter 4700, Appendix 10, Intragovernmental Transaction Guide. GSA must ensure that it updates its key IGT POC's for IPAC and/or G-Invoicing at least once a year.

d. Credit Billings and Overpayments.

(1) The FSSP FMLOB should communicate with customers to ensure an appropriate method is taken to return prior collections to the customer as a result of a credit billing or overpayment. In addition the FSSP FMLOB should consult with the appropriate SSO to determine if alternatives, other than refunds or credit offsets, should be considered. Generally, issuing a refund is the preferred approach to liquidate a credit because it allows for better recordkeeping. Customers also have the option to use the credit to offset other billings within the same appropriation and source of funding for the customer. Significant care should be taken to ensure proper recordkeeping by GSA and customers to prevent credits from being applied across different appropriation categories and programs. When a credit billing is generated, the customer has the option to use the credit as an offset to other billings within the same appropriation category or request a refund; however, the customer shall not cross the appropriation {e.g., Federal Acquisition Service (FAS) credit cannot be applied to the Public Buildings Service (PBS)}. Before a refund or a credit to offset a bill is issued:

(a) Validate whether a credit on a bill or an overpayment on the account exists;

(b) Determine that there are no additional delinquent receivables that exist on the account; and

(c) Ensure the credit to offset a bill or refund is properly approved.

(2) Refunds. A copy of all related correspondence and documentation must be retained for recordkeeping purposes in the financial system of record. GSA or the FSSP FMLOB shall request IPAC or EFT information or mailing address from the customer. The preferred method of processing a refund to a Federal customer is via IPAC.

(a) If an offset is not requested by the customer within one billing cycle or 45 days, GSA will promptly issue a refund within 60 days from the origination of the credit or overpayment, unless the dollar amount is under \$200. Refunds will be

approved through the financial system of record and any necessary supporting documentation utilized in approving the refund will be stored. Ensure proper care is taken to protect customers' personally identifiable information. If the customer agency will not accept the funds or the dollar amount of the funds is under \$200, GSA will return the funds to the General Fund of Treasury (Pegasys fund code 0890). A refund to a non-IPAC customer shall be processed with a Refund Summary and additional backup documentation.

(b) If the funds are returned to the Treasury General Fund, records should be maintained to identify and the refund document should reference pertinent information {e.g., reason for refund transfer of funds to Treasury, date of overbilling, statement number, Billed Office Address Code (BOAC)}, because the customer will need this information to identify the refund. A copy of the refund document should be forwarded to the customer. Customers that request prior notice before refunds occur should be accommodated.

7. Aids in Collecting Delinquent Receivables.

a. The Accounts Receivable Aged Subsidiary. A tool used in evaluating delinquent accounts. The aged subsidiary identifies the total amount due from each customer and age of each receivable.

b. Telephone Calls, E-mail, and Correspondence. Correspondence records between the debtor and GSA should be maintained in the financial system of record. A contact should be established in the office of each agency responsible for payment of delinquent bills. Generally, the debtor agency's billing office is the starting point for establishing contact. Contacts by telephone, e-mail, and/or letter should be made to the debtor agency until the delinquency is resolved. When contacting a customer concerning a delinquent bill, all other open receivables should be included in the discussion. The customer's name, telephone number and address should be recorded for all BOACs with delinquent bills.

c. The SSO that Initiated the Billing. Should be used as a source for establishing contacts for billed receivables. A contract (i.e. Interagency Agreement) or other supporting documents shall be kept on file in the office that manages the fund and should contain the names, telephone numbers and addresses for relevant contacts. Accounts that are considered in dispute are settled between the responsible SSO and customer. The FSSP FMLOB in coordination with the SSOs should try to obtain additional assistance from the customer agency whenever necessary.

d. Central Office. The FSSP FMLOB in coordination with the SSO may be asked to contact the headquarters of a delinquent agency when the customer agency does not respond to follow-up.

e. Delinquency Statements. Receivables due from another Federal agency are considered delinquent when they are unpaid 45 days after the invoice date. A delinquency notice shall be mailed monthly to customers having a bill 45 days or more overdue. The statements can be sent with reminders, added data, or information that may expedite settlement of the account. These statements are mailed to delinquent customers without prior review if the account was previously accurate without any current activity, with the exception of congressional accounts. Congressional accounts must be reviewed prior to mailing to ensure accuracy. Unresolved disputed items and customers with overall credit balances, that are identified using the accounts receivable aged subsidiary, also require validation. A maximum of four notices (180 days old) or delinquency statements shall be sent to the customer.

8. Follow-up on Delinquent Accounts. While the nature of the escalation and aggressive pursuit of delinquent accounts differs according to the particular account, emphasis on collecting delinquent accounts should generally be placed on the oldest and highest amounts in terms of outstanding dollars. The oldest and highest accounts, at a minimum shall be followed up each month.

To assist GSA and the FSSP FMLOB, Pegasys Delinquency Reports are available upon month end closing. These guidelines shall be used, in part or whole, based on the circumstances of the debt:

a. Initial follow-up (accounts 45 days past due) shall be made by letter to the customer's contact representative.

b. Second follow-up (accounts 75 days past due) shall be made by email, letter or telephone to the agency contact representative.

c. Third follow-up (accounts 105 days past due) shall be by letter, email or telephone to the agency contact representative.

d. Accounts 180 days delinquent require GSA action; GSA will assist the FSSP FMLOB in identifying higher levels within the customer agency.

e. Accounts 240 days delinquent require GSA action; GSA will escalate delinquency reports to Service Program Commissioners.

9. Reimbursable Agreements. GSA is required to adhere to the following revolving funds guidance on reimbursable agreements. For management of revolving funds and reimbursable accounts see GSA Order, [CFO 4251.4B, Budget Administration Handbook](#), the Economy Act, 31 U.S.C. § 1535, and the Anti-Deficiency Act 31, USC § 1341-1342, 1349-1351, and 1511-1519.

a. The Federal Government uses revolving funds to finance the purchase of goods and services on an intragovernmental basis. The funds provided via the reimbursable agreement must adhere to the bona fide need rules set forth in 31 USC 1502.

b. Work performed under reimbursable agreements must be billed to the requesting agency with the agreement number, customer funding accounting string, and the billing address. An agreement modification shall be requested if costs are expected to or have exceeded the reimbursable agreement. To minimize cost and workload, an SSO may establish a minimum tolerance level clearly stated in the agreement so the agreement would not require an amendment for very minor increases in dollar amount over the estimated amount. Minimum tolerance levels may not exceed \$500 or 10 percent of the reimbursable agreement, whichever is lower. If a modification is obtained, the value of the reimbursable agreement shall be adjusted in the system of record. The cost and billing should normally represent the actual amount expended for the reimbursable agreement, however, billings should not exceed amounts authorized in agreements.

c. Reimbursable agreements must meet the following criteria:

(1) The scope of the reimbursable agreement must be clearly and sufficiently detailed so the bona fide need of the requesting agency is evident;

(2) Requirements outside the scope of the original reimbursable agreement can only be provided if a modification is made to the reimbursable agreement;

(3) In the case of the inter-agency agreement such as the reimbursable agreement, all funding documents must represent a bona fide need that is within the scope of the agreement and funding resources must be legally available at time of acceptance; and.

(4) Reimbursable agreements that are not in accordance with the above shall not be accepted from the customer agency until they are modified to meet the requirements.

PART 4. REPORTING REQUIREMENTS OF INTRAGOVERNMENTAL TRANSACTIONS

10. General. The GSA must accurately report intragovernmental activity and balances with other Federal agencies. Intragovernmental transactions must be accounted for consistently by the selling and buying agencies. This includes recording and reporting intragovernmental transactions in the proper USSGL accounts. All USSGL accounts must be reported in accordance with the financial statement crosswalk provided in the Treasury Federal Intragovernmental Transactions Accounting Policies Guide, TFM, Volume 1, Part 2, Chapter 4700, Section 4706.

11. Intragovernmental Business Rules. Treasury publishes government-wide standards for Intragovernmental Business Rules in TFM, Volume 1, Chapter 4700, Appendix 10. The rules apply to all intragovernmental exchange; specifically, transactions that entail the exchange of goods and services and transfers between Federal entities. Accordingly, these rules provide guidance for recording and reconciling intragovernmental transactions. For purposes of the rules, the requesting agency is a buyer, the providing agency is a seller, and collectively, they are trading partners. The business rules also specify that IPAC is the preferred method of payment between FPAs.

12. Advances from Federal Entities. Accepting advance payments from Federal entities for goods and services are permissible provided:

a. Advance payments for goods and services received from Federal entities are limited for instances explicitly required by law or approved by the BG Director and CFO Budget Officers. Advances should be limited in usage and requested only when a business need exists for an advance in order for the seller to execute an order. Progress payments from a Federal agency are permissible;

b. The buyer must record the advance payment as an asset, "advance to", and must liquidate the asset and record an expense upon receiving an invoice or other documentation showing the goods or services were provided;

c. The seller must record the advance payment as a liability, "advance from", and must liquidate the liability and record revenue as goods and services are provided;

d. Ensure advances are liquidated within timeframes sufficient to prevent undue burdens on financial management operations and to minimize the risk of accounting errors caused by the manual nature of the associated controls. Generally, advances shall be liquidated within one year, unless there is a valid business reason for a longer period;

e. All advances must be reviewed and approved by management including the CFO Budget Officer to each SSO. The Deputy CFO, the CFO Budget Officers, and the BG Director are responsible for establishing approval levels for advances within their respective areas;

f. The Deputy CFO, CFO Budget Officers and BG Director are responsible for placing proper controls over transaction processing for advances as follows:

- (1) Create and distribute deferred income reports,
- (2) Track and manage advances uniquely. Use distinct coding and tie to distinct funding documents for easy identification,
- (3) Define who should review, report and correct amounts,
- (4) Reconcile transactions to the general ledger on a monthly basis,
- (5) Conduct quarterly reviews to ensure proper accounting and reporting, and for all significant balances, conduct sufficient communication with customers/buyers to ensure consistency in reporting of balances reported as intragovernmental transactions, and
- (6) Provide documentation to the FSSP FMLOB to support the establishment and drawdown of advances upon request.

CHAPTER 3. BILLING AND SERVICING NON-FEDERAL ACCOUNTS RECEIVABLE

PART 1. POLICIES AND REQUIREMENTS

SECTION 1. BILLING AND ADVANCE PAYMENT

1. Billing Requirements and Advance Payment.

a. Advance Payment. FPAs cannot incur obligations against customer orders received from non-Federal sources without 100 percent advance payment in accordance with OMB Circular A-11, unless specifically allowed by law. Accordingly, agreements with non-Federal agencies or entities must be accompanied by advances for all GSA programs unless exceptions are approved by the Directors of the Office of Budget and Office of Financial Management. Such exceptions may be granted when the requirement to obtain advances is imprudent or impractical, and funding is otherwise available to cover obligations incurred and any risk of loss. If actual costs exceed the amount of an advance, the customer will be billed for the difference. If costs are less than the advanced amount, GSA will refund the difference to the customer, upon expiration of the order, or contract with the non-Federal customer.

b. Billing. Non-Federal receivables owed to GSA by a person or entity is due 30 days from the date of the initial bill notification to the customer (TFM, Volume 1, Part 6, Chapter 8000), unless otherwise provided by law or other agreement. Bills to non-Federal customers must specify the interest, penalties, and administrative costs for late payment according to the terms of the contract, agreement, or applicable law or regulation. A bill, for an actual or estimated amount, must be prepared promptly and made available electronically to the customer.

(1) If the debtor does not pay the bill within 30 days, they must be informed in writing of their rights. This notification can be included with the billing.

(2) Demands for payment shall be issued using a demand letter. Unless the debt instrument is a contract and the contract states otherwise, the law requires that interest, penalties, and administrative costs be accrued and charged as appropriate. Each succeeding demand for payment must be progressively stronger and firmer in tone.

2. Maintenance of Debtor Account Files. Account files, whether maintained manually or electronically, must contain complete documentation of all actions taken concerning the account. The files must be kept in a manner to provide an audit trail to allow for

proper review. It should be possible to ascertain at any time that the current balance of the account agrees with the relevant control account and that all applicable laws, regulations, and policies concerning account servicing have been followed. Any information that would be required by an auditor must be readily available. The debtor files must be secured in accordance with the Privacy Act of 1974 (PL. 93-579 and 94-394), 5 USC 552(a).

SECTION 2. POLICIES CONCERNING RECEIVABLES WITH THE PUBLIC

3. Debt Collection Improvement Act (DCIA) Policies. DCIA requires all Government contracts, invoices or agreements with the public to contain certain information and notices.

a. Refer to the following applicable citations for additional information on specific laws and regulations:

- (1) DCIA of 1996 (PL 104-134).
- (2) Privacy Act of 1974 (PL 93-579 and 94-394), 5 USC 552 (a).
- (3) Fair Credit Reporting Act of 1971, 15 USC 1681.
- (4) Collection and Compromise of Claims, 31 USC 3711.
- (5) Federal Acquisition Regulation, Contract Debt [48 CFR 32.6], Protests, Disputes and Appeals (48 CFR 33), Solicitation Provisions and Contract Clauses (48 CFR 52).
- (6) (TFM, Volume, 1, Part 5, Deposit Regulations and Part 6, Other Fiscal Matters.
- (7) Treasury Guidance on Managing Federal Receivables.
- (8) GSA Regulations concerning collection of claims owed the United States (41 CFR 105-55 and 56), Processing Claims against Carriers (41 CFR 101-40.710) and Claims against Domestic Carriers (41 CFR 101-40.711-1).
- (9) OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables.

(10) 41 CFR Part 105-57, Administration Wage Garnishment and 31 CFR Chapter IX, FCCS (Department of the Treasury - Department of Justice).

4. The FSSP FMLOB and SSO Responsibilities for Employee Debts.

a. The GSA Payroll Services Branch (PSB) is assigned the responsibility of being the “collection agent” responsible for managing debts owed GSA by current employee in conjunctions with GSA’s accounts receivable FSSP FMLOB. These “collection agent” responsibilities include, the collection and management of active GSA employee debts via administrative salary offset to the employee’s biweekly pay, processing and tracking of all employee requests in accordance with their debtor rights and the preparation and submission of separated employee debt package to the FSSP FMLOB accounts receivable provider for management, collection and reporting.

b. The FSSP FMLOB is responsible for managing, reporting, collection, and responding to all separated employees debts and associated debtor’s rights. The OCFO PSB provides support to the FSSP FMLOB for activities such as preparing and coordinating analysis of payroll transactions that causes a debt to arise.

c. The FSSP FMLOB and OCFO PSB will maintain sufficient records for uncollected debt to support all accounting entries and official actions affecting accounts receivable. If the debt is collected, the supporting documentation should only be kept for six years unless a unique business need is identified by GSA. Desk guides documenting proper procedures should be kept up-to-date and made available to auditors and reviewers as needed. The FSSP FMLOB and OCFO PSB should maintain proper documentation, and ensure the accounting classification codes and data recorded in the accounting records are accurate and valid.

d. The FSSP FMLOB and OCFO PSB should maintain open lines of communication with the SSOs and, where possible, with debtors to facilitate collection or dispute resolution. The FSSP FMLOB is responsible for periodically reporting the status of accounts receivable to the SSOs and engaging them to participate in the collection process whenever appropriate.

e. SSOs will work together with the FSSP FMLOB and OCFO PSB to develop and maintain standard operating procedures (SOP) for managing debt, claims, and collection activities.

f. SSOs are responsible for ensuring the provisions of this chapter are incorporated into their orders, manuals, and desk guides wherever applicable, and are

included as an integral part of their comprehensive audit and review of programs.

SECTION 3. ACCOUNT SERVICING POLICIES FOR CLAIMS

5. General.

a. The term non-Federal claim refers to any amount of money or property determined (by an appropriate agency official) to be owed to the United States from any person, organization, or entity except another Federal agency (see Chapter 1, Part 2, paragraph 7). Potential claims identified by GSA's recovery audit contractor or GSA personnel (i.e. office directors and subordinate officials in the OCFO or SSO) must be reviewed and validated within timeframes established in GSA Order [CFO 4200.4A, Change 1, Deadline for Potential Claims Review and Validation](#) in order to promote more timely collection of debts that are owed to the Government and to comply with Federal policy guidance for prompt processing and collection of Federal claims.

b. Agency claims against GSA employees are referred to the OCFO PSB and claims against separated employees are referred to the FSSP FMLOB. There is no minimum amount to establish a payroll claim against Federal employees. The minimum amount for a travel claim is \$25; all others \$250. Additionally, for instances where salary or other payment offsets are not available, amounts up to \$250, with the exception of travel, should be referred to Treasury (TOPS) for cross-servicing after 30 days from the date a second demand letter is issued if no response is received.

c. GSA and the FSSP FMLOB will take aggressive and timely collection action to collect claims in accordance with the standards set forth in DCIA and the Federal Collection and Claims Standards (31 CFR 900-904). If a claim is considered legally without merit and it is determined the amount was never owed or was erroneously classified as a debt, then the claim shall be removed.

6. Demands for Payment on Claims. Only one demand letter is required in accordance with 31 CFR 901.2. However, FSSP FMLOB will subsequently send a second and third demand letter upon failure of the debtor to satisfy their debt. In accordance with non-Federal write-off policy in Chapter 4, a third demand letter should not be issued for debts that are \$250 or less. Debts that are \$250 or less are to be written off 90 days following the date of delinquency.

a. In accordance with GSA Order CFO P 4200.4A CHGE 1, GSA's recovery audit contractor or GSA personnel may identify potential claims. Once a potential claim has been validated by the appropriate regional official, the approved claim will be

transmitted to the FSSP FMLOB to establish a claim receivable. The FSSP FMLOB will prepare and mail written notification in the form of a demand letter to the debtor within 10 calendar days after receiving claim documentation, unless an alternative approach is otherwise approved by the Region and OCFO. For instance, a Region may receive a refund from a debtor, or may offset future invoices. The claim is controlled by a unique identifier number as shown on the demand letter. In addition to the actions listed for non-Federal receivables, the office responsible for the claim may seek aid through the Office of General Counsel (OGC) and the DOJ when pursuing these accounts.

Refer to Treasury's Managing Federal Receivables guidelines for a complete list of elements to debt specific and statutory and regulatory requirements. For the FSSP FMLOB managed debts, the following is a non-exhaustive list of key elements the demand letter must include:

- (1) Notice that the debt is due;
- (2) Amount of the debt;
- (3) Notice that the debt is subject to being reported to a credit reporting bureau;
- (4) Description of actions the debtor may take to prevent further collection action (e.g., payment in full, entering a repayment agreement, or filing a formal dispute);
- (5) Debtor's rights - DCIA requires GSA to advise all non-Federal debtors they have the right to verify, challenge and compromise claims, and access administrative appeal procedures;
- (6) Name, telephone number, and email address of the debt collection office contact;
- (7) Policies on assessing interest, penalties, and administrative costs, and the applicable rates and amounts, especially if not provided in the contract agreement; and
- (8) Referral to Treasury DMS. Prior to referral to Treasury DMS, the debtor must be informed of the debt and the possibility of:
 - (a) Offsets, including tax refunds and salary;

(b) Referral to a private collection agency; and

(c) Referral to DOJ or OGC.

b. **Second demand.** A second demand letter may be sent if a formal dispute, collection or a written agreement to repay the debt is not made within 30 days of the initial demand letter. A second demand letter should be sent unless circumstances are such that a second letter would not benefit the collection process, e.g. the debtor has filed bankruptcy or the debt is referred to DOJ. The second demand will notify the debtor of added interest, penalty, and administrative costs.

c. **Third (final) demand.** A third and final demand letter may be sent if a formal dispute, collection, or a written agreement to repay the debt is not made within 30 days of the second demand letter. The final letter must advise the debtor that, if the claim remains unpaid, it will be sent to Treasury for involuntary collection.

d. If the debt has been discharged (i.e. cancelled) and is \$600 or more, it will be reported to the Internal Revenue Service (IRS) as income to the debtor on IRS form 1099-C. Records must be retained and readily accessible to give the debtor an opportunity to:

(1) Inspect records of the debt;

(2) Review the records with FSSP FMLOB or OCFO PSB; and

(3) Enter into a voluntary repayment agreement (i.e. promissory note) with GSA.

7. Account Servicing for State and Local Government and Similar Receivables.

a. General. Billings to state and local governments and certain other organizations (including the District of Columbia, the Federal Reserve Board, Army/Air Force Exchanges, and local and public agencies that are not general purpose units of local government) are considered non-Federal accounts. Generally, billings to non-Federal accounts, which is described in Chapter 3, Part 1, Section 1, Paragraph 2a Advance Payment, must be paid in advance or within 30 days for an adjusted bill.

b. Follow-up on Delinquent Accounts Receivables. Follow-up action on delinquent accounts receivable for state and local governments and others mentioned in this

paragraph must be in accordance with non-Federal receivables policy and shall be referred to Treasury for offset.

PART 2. LATE PAYMENTS AND BANKRUPTCY

SECTION 1. LATE PAYMENT CHARGES

8. General. DCIA authorizes agencies to charge interest, penalties, and administrative costs against delinquent non-Federal debtors, including state and local governments. A written notice to the debtor must be mailed explaining GSA requirements concerning late charges before assessing them. The notice must inform the debtor of their rights pertaining to the debt. The minimum amount of debt to charge interest, penalty and administrative fees is \$50. A debt becomes delinquent when payment is not made by the due date or the end of the “grace period,” established as 30 days from the payment due date in the agreement. The *date of delinquency*, referred to as the payment due date, is the date of initial invoice or demand letter.

9. Interest. Interest should be charged on the principal amount due, accrued from the date of delinquency unless payment is received within the grace period. In the case of an advanced billing, interest should be charged on the principal amount due from the date the debt is actually owed. Unless an existing contract prohibits the charging of interest or provides other interest rate terms, (as in contracts that fall under the Contracts Disputes Act of 1978), GSA will charge simple interest. Use the current value of funds rate as provided in Section 11 of DCIA. Compute interest as follows: $\text{Interest} = \text{Principal} \times \text{Annual Rate} \times \text{days outstanding} / 360$.

a. Current Value Rate. The current value rate is published annually in the Federal Register and quarterly in TFM bulletin. The rate of interest, as initially assessed, is generally fixed for the duration of the indebtedness. However, when a debtor defaults on a repayment agreement and seeks to enter into a new agreement, GSA may set a new interest rate.

b. Re-negotiation Board Rate. The interest rate used for contracts that fall under the Contracts Disputes Act is normally the renegotiation board rate. If the claim is for other than nonperformance of contract terms, the current value of funds rate shall be used. When applied to a delinquent debt, the renegotiation board rate does not remain fixed, but rather changes with the semi-annual published rate. A delinquent debt outstanding for over 12 months might have interest charged at two or more different rates.

10. Penalty. Additional interest is charged as a penalty on delinquent receivables outstanding over 90 days to discourage delinquencies and encourage early payment of debts in full. As set by statute, the penalty to be assessed on a delinquent debt is an amount not to exceed 6% per year. In accordance with Treasury guidelines penalties shall be assessed at a rate not less than 6% without a compelling reason otherwise. Justifications for use of interest rates less than 6% must be submitted to, and approved by, the Director, Office of Financial Management. Penalties are accrued from the date of delinquency, on any portion of a debt that is outstanding for more than 90 days, including any interest and administrative costs.

11. Administrative Costs. Charge the costs associated with carrying and collecting delinquent accounts. These costs include, but are not limited to, the following:

- a. Monthly charge for every month the debt remains outstanding after the due date;
- b. Cost of a credit report, if ordered; and
- c. Treasury fees which are taken to offset Treasury collection activities prior to submission of funds to GSA in settlement of debt.

12. Calculating Late Payment Charges. Calculate and accrue interest beginning with the date on which first notice of the debt and late payment requirements are mailed to the debtor. For a debt under a contractual agreement, calculate and accrue interest beginning with the date specified in the contract. Calculate and accrue penalties from the date of delinquency. Daily administrative accruals to month-end are not required. Administrative costs shall be added each month starting on the day the debt becomes past due.

13. Recording Late Payment Charges. Interest and penalty charges shall be added to delinquent non-Federal accounts and will continue to be assessed until final payment is received, unless debt collection activity is suspended or terminated, the debt is compromised, the late charges are waived, or the late charges are altered as the result of a court judgment. A clear audit trail for the supporting documentation must be available for each type of claim. At a minimum, record these charges in the accounting system when submitted to Treasury for cross-servicing, when collected, and before the end of the fiscal year.

- a. Do not record late payment interest in the accounting system when a claim is in dispute, in bankruptcy, has been referred to DOJ, or has been deemed uncollectable. If

the claim is found to be valid and collectable, the charges shall be applied retroactively to the date of the claim.

b. General ledger entries must be made for charging and collecting interest, penalty and administrative costs. Entries are to be recorded into the financial system of record using the following GSA funds:

(1) In most instances, GSA funds do not have authority to retain receipts of late payment charges, with amounts collected requiring deposit to Miscellaneous Receipts of the Treasury fund accounts, using Pegasys Fund code 0230 for interest, Fund 0890 for administrative costs and Fund 0190 for penalty charges; and

(2) For two of GSA's funds, the Federal Citizen Services Fund (Pegasys Fund code 105X) and the Other Receipts Surplus Real and Related Personal Property Fund (Fund code 0952), when late payment charges are collected in association with accounts receivable in these funds, authority does exist allowing receipts to be retained in those funds.

14. Application of Payments. Except as otherwise contractually provided, payments made by a debtor towards a delinquent debt are applied to the outstanding balance of the debt in the following order: penalties, administrative costs, additional interest, financing interest, and principal.

15. Waiver of Interest, Penalties, and Administrative Costs. The agency is required to waive interest and administrative costs on a debt paid within 30 days of the date of delinquency. The agency has discretion to waive interest, penalties, and administrative costs in accordance with its regulations, either (1) pursuant to a compromise or settlement agreement, or (2) when collection of these charges resulted from Agency error, or (3) is against equity and good conscience or is not in the best interests of the United States. For example, a waiver may be appropriate when an agency cannot conduct a hearing within the statutorily required time frame (e.g., 60 days for salary offset). A waiver may be in whole or in part for each separate type of charge. The Administrator of GSA has delegated the CFO to waive, in whole or in part, claims of the United States against GSA employees for interest, penalties, and administrative costs. The CFO has delegated this authority to the Deputy CFO or BG Director. All unresolved waivers will be referred to OGC for further review.

SECTION 2. BANKRUPTCY

16. Types of Bankruptcy Proceedings. Since the majority of bankruptcies that concern GSA fall under Chapter 7 (Liquidations), Chapter 11 (Reorganizations) or Chapter 13 (Consumer Debt Adjustments) of the Bankruptcy Act, these are the only areas of the Bankruptcy Act that will be discussed.

a. Liquidation (Chapter 7). A liquidation proceeding, traditionally called straight bankruptcy, is brought under Chapter 7 of the Bankruptcy Act. The debtor must disclose all of the property he owns (the bankruptcy estate) and surrender it to the bankruptcy trustee. The trustee distinguishes certain property the debtor is permitted to keep and then administers, liquidates, and distributes the remainder of the bankrupt debtor's estate. Generally, excluding cases that are dismissed or converted, individual debtors receive a discharge in Chapter 7 cases.

b. Reorganization (Chapter 11). Chapter 11 of the Bankruptcy Act is used to allow a business, under the supervision of a Federal court, to establish a plan that will assist in solving its financial problems. A reorganization plan is essentially a contract between the debtor organization and its creditors. The proceeding is intended for debtors who are not paying their debts when due, particularly businesses, whose financial problems may be solvable if they are given time, guidance, and alleviation of pressure from creditors. Under unusual circumstances, an individual may file for bankruptcy under Chapter 11.

c. Consumer Debt Adjustment (Chapter 13). Chapter 13 of the Bankruptcy Act offers a special procedure for individuals earning a regular income but having financial difficulty. The individual develops a plan under court supervision to satisfy creditors. The plan may involve compromises (reductions) of debts and/or extensions of time to pay debts out of the debtor's future earnings.

17. Petitions. All bankruptcy proceedings begin with the filing of a petition. The filing of a petition operates as an automatic stay (holds in abeyance creditor action against a debtor or his property). The automatic stay prevents most creditors from collecting any funds from the debtor in accordance with 11 USC § 362, 1201, and 1301. Violations of the automatic stay require the property be returned to the bankruptcy estate.

18. Notification of a Bankruptcy. For instances of debt owed to GSA by one of its contractors, in accordance with the FAR Subpart 42.9, when GSA and/or the FSSP FMLOB is notified that a debtor is involved in bankruptcy proceedings, the associated contracting officer (CO) must be advised immediately. If the outstanding debt is not

subject to provisions of the Contract Disputes Act, then OGC must be advised and the following steps taken:

a. Bankruptcy notification shall be recorded in the client record. Claims in bankruptcy status are not covered by DCIA and are not eligible to be sent to Treasury for cross-servicing.

b. In coordination with the CO and/or OGC, the FSSP FMLOB must retain any amounts due the debtor that were earned before the date the petition in bankruptcy was filed and that are available for application to the debt. Any amount in excess of that required to satisfy known Government debts should be paid to the receiver, trustee or assignee, as appropriate.

c. All outstanding claims shall be forwarded to the servicing OGC office to prepare and file a proof of claim or collaborate with the CO and OGC to prepare the proof of claim.

d. Bankruptcy claims shall not be written off until the bankruptcy court issues a final decision on the bankruptcy and the GSA claims are listed with the debts discharged by the bankruptcy.

19. Referral of Bankruptcy Debts to DOJ. Debt claims involving bankruptcies (other than Chapter 7 bankruptcies, if approved by the court) are referred to DOJ through OGC.

a. Generally, GSA does not refer debts that are less than \$2,500 to DOJ. If the facts and circumstances in a particular case warrant filing a proof of claim (e.g., if petition is filed under Chapters 10, 11, or 13 of the Bankruptcy Act), debts less than \$2,500 may be referred to DOJ.

b. When the FSSP FMLOB is notified of bankruptcy debt of a series of smaller debts involving the same debtor and aggregating \$2,500 or more, the FSSP FMLOB in coordination with BG Director, will consider whether it is appropriate to send a claim request.

c. When the information of record submitted in the bankruptcy filing indicates there will be no assets for distribution to creditors at the present level of Government claims, do not refer the debt.

d. Write off any debts when collection action by DOJ has been completed or

when referral to DOJ has been determined to be inappropriate (e.g., when the debtor has no assets for distribution - Chapter 7 of the Bankruptcy Act).

e. The FSSP FMLOB should send claim requests along with a completed Claims Collection Litigation Report (CCLR), 31 CFR 904.2, for referral to the BG Director for approval. The BG Director will refer the claim request to DOJ through OGC. Refer to paragraph 23 of Part 3, Section 1, for more information on the CCLR.

f. The FSSP FMLOB should follow-up at least quarterly with the CO and/or OGC on the status of debts involving bankruptcy that have been referred to DOJ.

20. Requirements Where Debts Have Been Referred to Treasury. If a debtor has filed for bankruptcy, the FSSP FMLOB may receive such notice from Treasury for debts that have referred to DMS for collection. Upon receiving such notices, the FSSP FMLOB must record the bankruptcy information in the financial system.

PART 3. REFERRALS, COLLECTION OPTIONS, AND WAIVER OF CLAIMS

SECTION 1. REFERRAL TO OTHER GOVERNMENT AGENCIES

21. Prompt Referral. Agencies must promptly refer to DOJ any debt on which aggressive collection activity has been taken and that cannot be compromised or on which collection activity cannot be suspended or terminated. Debts for which the principal amount is over \$1,000,000, or such other amount as the Attorney General may direct, exclusive of interest and penalties, shall be referred to the Civil Division or other division responsible for litigating such debts at DOJ. Debts for which the principal amount is \$1,000,000, or less, or such other amount as the Attorney General may direct, exclusive of interest or penalties shall be referred to the DOJ Nationwide Central Intake Facility. The OCFO will coordinate with the OGC on all actions and communications with DOJ. The OCFO, OGC, and FSSP FMLOB must all ensure timely coordination of referral actions and make every effort to refer delinquent debts to DOJ for litigation within one year of the date such debts last became delinquent.

22. CCLR. The CCLR is a standard report for agencies to provide specific information when claims are referred to DOJ for litigation and enforced collection. Unless authorized by DOJ, agencies must complete the CCLR, accompanied by a signed Certificate of Indebtedness, to refer all administratively uncollectible claims to DOJ. Agencies also must use the CCLR to refer claims to DOJ to obtain approval of any proposals to compromise the claims or to suspend or terminate agency collection activity.

23. Preservation of Evidence. GSA must take care to preserve all files and records that may be needed by DOJ to prove their claims in court. GSA ordinarily shall include certified copies of the documents that form the basis for the claim in the package referred to DOJ for litigation. GSA must provide originals of such documents immediately upon request by DOJ.

SECTION 2. COLLECTION OPTIONS

24. Centralized Administrative Offset.

a. Centralized administrative offsets through Treasury may be used to satisfy a past due, legally enforceable debt. Normally, collection actions are not initiated unless payment has not been received within 30 days of the date the initial billing was mailed or delivered. Notification will be made to the debtor based on FSSP FMLOB standard procedures and practices. In accordance with 31 USC 3716(c)(6) GSA will refer valid, delinquent non tax debts to Treasury for the purpose of centralized administrative offset no later than 120 days delinquent. Collection by centralized administrative offset is not appropriate when:

(1) Debtor has ceased doing business and there is no known or potential obligation payable by any agency of the United States Government to the debtor;

(2) Debtor has gone into receivership and has liquidated all of its assets;

(3) Debtor has filed a petition in bankruptcy (Chapter 7 or 13) as a no-asset debtor or there is no likelihood of the debtor resuming operations;

(4) Debtor is deceased and the estate owns no attachable assets;

(5) Circumstances indicate that collection by centralized administrative offset is unlikely; or

(6) Collection of amounts due by recoupment is permitted outside of the bankruptcy rules.

b. If proper notification is given to the debtor at the time of billing (or 30 days after the initial demand notification in the case of a delinquent account under a contract agreement), the FSSP FMLOB must attempt to offset the claim. The offset must include any additional amounts due for interest, penalties and administrative costs

related to the claim.

c. When notice of an appeal has been received, all collection follow-up activity must be suspended until the appeal is resolved.

d. The FSSP FMLOB must forward claims for freight loss/damage to the FAS once it appears offset is unlikely. They should also continue to pursue offsets simultaneously and should issue a second and third demand letter. If offset is made, the appropriate office must be notified.

e. When a claim is offset against an account payable, the FSSP FMLOB must be notified to ensure the offset is recorded against the claim to reduce the amount of the outstanding debt.

25. Non-centralized Administrative Offset. In cases where offset through TOP is not available or the creditor agency is unable to meet the 60-day notice requirement for submission to TOP, GSA or its FSSP FMLOB may request that another agency offset a Federal payment to satisfy a past due, legally enforceable debt. Non-centralized administrative offsets also apply in situations when the payment agency is the same as the creditor agency (i.e. internal offset). In order to use non-centralized administrative offset, GSA or the FSSP FMLOB must identify the payment that can be offset and contact the agency responsible to request an offset. Prior to requesting the offset, the creditor agency must certify to the payment agency that all due process prerequisites have been met except as otherwise allowed by law. This means the creditor agency has sent the debtor advance notice of the nature and amount of the debt to be collected and its intent to administratively offset payments to collect the debt. In addition, the notice must give the debtor the opportunity to:

- a. Make voluntary payment;
- b. Inspect and copy records related to the debt;
- c. Request a review of the debt; and
- d. Enter into a repayment agreement.

26. Installment Repayment Schedules and Promissory Notes.

a. Offices responsible for debt collection (FSSP FMLOB and GSA) should collect the total amount of an overdue debt in one lump sum. However, if the debtor is unable

to pay in one lump sum then GSA and the debtor may consider entering into a voluntary repayment agreement in accordance with 41 CFR 105-55.015 and the 41 CFR 105-56.004 (salary offsets). Unless other authorized voluntary repayment arrangements (in the best interest of the US Government) have been made, any voluntary repayment agreements offered by a debtor to GSA must be in writing. GSA should obtain financial statements or a credit report to verify the debtor's claim of inability to repay in a lump sum. Prior to execution, installment agreements or promissory notes must be submitted to the OGC for review to ensure inclusion of proper terms and conditions.

b. For debts resulting from contracts, the CO has the authority to negotiate alternate repayment terms with a debtor when the claim originates due to overpayments by the Government or damages caused by the contractor. However, the CO must seek the approval of the OCFO in accordance with the Chief Financial Officer Delegation of Authority ([CFO 5450.1 CHGE 3](#)) if a request to waive any portion of interest, penalty or administrative fees is considered. An installment or promissory note, must give GSA the right to seek a judgment against the debtor if the note is not paid when due. The note shall specify all terms of the arrangement, contain a provision accelerating the debt if the debtor defaults, and include the debtor's Taxpayer Identification Number (TIN). The debtor must be provided with a written explanation of the consequences of signing the note and must sign a statement acknowledging receipt of the written explanation. The statement must contain language that it was read and understood before execution of the note, and the note is signed knowingly and voluntarily. This statement must be maintained in the accounts receivable file on the debtor. Upon receipt of the signed note and statement, the debt shall be reclassified as a note receivable in the accounting records.

c. Size and frequency of installment payments must bear a reasonable relation to the size of the debt and the debtor's ability to pay. Repayments should liquidate the debt (except specified mortgages) within three years unless circumstances warrant a longer period. GSA has the authority to establish installment plans that offer a reasonable amount of time for repayment beyond the three years. Installment payments of less than \$100 per month, or in amounts which would extend collection of the debt for more than three years, shall not be accepted unless justified on the grounds of financial hardship or some other reasonable basis. Interest, penalties, and administrative charges must be assessed in accordance with 41 CFR 105.55 and provided for in the promissory note.

The borrowing rate selected shall take into account the duration of the scheduled repayment. To calculate interest, use Treasury current value rate on debt amounts

scheduled to be repaid in one year or less. For amounts scheduled to be repaid in more than one year, use the higher of the current value rate or the borrowing rate of a Treasury debt instrument for a period similar to the amortization period used in the repayment agreement.

d. If a payment schedule has been established for payment of debt, a payment schedule log/amortization schedule or similar record must be maintained in the claim file. The principal balance on the payment schedule log/amortization schedule shall be the same as that reflected on the miscellaneous accounts receivable subsidiary ledger.

e. When a debtor defaults on a repayment agreement and enters into a new agreement, late charges that accrued but were not collected under the defaulted agreement must be added to the principal to be paid under the new agreement (see 41 CFR 105.55).

f. GSA must maintain records of the rescheduled amounts and should report such amounts on the Treasury Report on Receivables (TROR).

g. The FSSP FMLOB may accept all payments against outstanding debt. Debtors shall be informed that, as long as there is no written installment agreement, the Government retains the right to demand immediate payment of the total debt. No partial payment shall be accepted as final payment without the approval of the GSA Director, Office of Financial Management.

27. Adjusting and Settling Debts. Absent statutory authority, GSA has no authority to waive contractual rights that have accrued, or to modify existing contracts to its detriment, without legal consideration or a compensating benefit (GAO Letter B-276550, December 15, 1997). This practice of disc-harging a debt for less than the outstanding balance without any compensating benefit is commonly referred to as compromising debts (31 CFR parts 902.2). In accordance with 41 CFR 105-55, GSA has the right to independently discharge debts under \$100,000. This means GSA has the right to restructure credit offerings by adjusting the terms of any credit offered (e.g., extending the repayment period, or waiving interest, penalties, and administrative costs, etc.). Authority to compromise debts is provided to the Deputy CFO and Director, Office of Financial Management in accordance with the GSA Delegation of Authority Manual (CFO Order 5450.3), in consultation with OGC. For compromise of debts \$100,000 or more, see Chapter 3, Part 3, Section 1 for more guidance.

SECTION 3. WAIVER OF CLAIMS FOR OVERPAYMENT OF PAY AND
ALLOWANCES, TRAVEL, TRANSPORTATION, AND RELOCATION EXPENSES
AND ALLOWANCES

28. Background.

a. Under 5 USC § 5584, a claim of the United States against an employee of the agency arising out of an erroneous payment of pay and allowances, travel, transportation, or relocation expenses and allowances may be waived in whole or in part. A waiver may be considered only when formally requested by a debtor employee (active and former) and collection of the claim would be against equity and good conscience and not in the best interest of the United States provided there does not exist, in connection with the claim, an indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver of the claim.

b. A request for a waiver of a claim shall not affect an employee's opportunity under 5 USC § 5514(a) (2) (D) for a hearing on the determination of GSA concerning the existence or the amount of the debt, or the terms of the repayment schedule. A request by an employee for a hearing under 5 USC § 5514(a) (2) (D) shall not affect an employee's right to request a waiver of the claim. The determination whether to waive a claim may be made at the discretion of the deciding official either before or after a final decision is rendered on the claim by the hearing official.

29. References.

a. 5 USC § 5514, Installment Deduction for Indebtedness to the United States.

b. 5 USC § 5581, Definitions.

c. 5 USC § 5584, Claims for Overpayment of Pay and Allowances, and of Travel, Transportation and Relocation Expenses and Allowances.

d. GAO Act of 1996, PL 104-316, October 19, 1996.

e. OMB memorandum, Determination with Respect to Transfer of Functions Pursuant to PL 104-316, December 17, 1996.

f. GAO regulatory action (65FR33737, May 25, 2000) to remove its § 5584 waiver regulations formerly found in 4 CFR part 91-92.

- g. 31 USC § 3711, Collection and Compromise.
- h. 31 USC § 3716, Administrative Offset.
- i. 5 CFR. Part 550, subpart K, Collection by Offset from Indebted Government Employees.
- j. 31 CFR Chapter IX, Parts 900 - 904, Federal Claims Collection Standards.
- k. 41 CFR. Part 105-56, Salary Offset for Indebtedness of GSA Employees to the United States.
- l. 41 CFR. Part 105-55, Collection of Claims Owed the United States.
- m. GSA Order, CFO 5450.1, Chief Financial Officer Delegations of Authority.
- n. GSA Order, ADM 5450.39D, GSA Delegations of Authority Manual (CFO).

30. Employee Pay and Allowance Claims Not Subject to Waiver Consideration. A payment that was initially deemed legal and proper may not be considered for waiver if information arises at a later date that leads to a determination that all or part of the payment must be refunded to GSA. Examples of legal and proper payments, not subject to waiver consideration, include:

- a. Advanced annual or sick leave unearned at the time of separation.
- b. Advanced uniform allowances not earned at the time of separation or upon transfer from the work unit that required the uniforms.
- c. Voluntary Separation Incentive Program (VSIP) repayment if the employee returns to Federal Government service.
- d. Federal Employee Health Benefits (FEHB) insurance premium payments made on behalf of the employee while in an extended period of Leave Without pay (LWOP) and when an employee has elected, in writing, to continue FEHB coverage while on LWOP.
- e. Lump sum leave payments that must be refunded if the person is re-employed in Federal service prior to expiration of the period of annual leave related to the lump-sum leave period.

In addition, erroneous payments made after the employee identified, or was notified of payment errors are not subject to waiver consideration.

31. Waiver Authority. The Administrator of GSA¹ has delegated to the CFO the authority to waive, in whole or in part, claims of the United States against GSA employees for erroneous payment of pay and allowances. The CFO has delegated this authority to the Deputy CFO or BG Director. If an investigating official or deciding official concludes that waiving a debt is appropriate, or based on particular facts are uncertain regarding making decisions about a waiver request, the supporting documentation should be submitted to the OGC for review and comment prior to the deciding official making a final determination.

32. Responsibilities.

a. Active and Separated GSA Employees. Upon receipt of a demand letter all active and former GSA employees should review the debtor rights and instructions for obtaining information and requesting a waiver. Requests for a waiver must be made in writing and submitted within three years of the date the error was discovered.

Employees requesting a waiver shall include the following in their request:

- (1) Written and signed waiver request;
- (2) Chronology of events surrounding the erroneous payments;
- (3) If the employee is the first to discover the receipt of an erroneous payment, then the employee must state who they contacted to address the error, when that contact was made; and
- (4) Copies of documents or correspondences that support the employee's request for waiver, such as emails, copies of Notices of Personnel Actions (SF-50), copies of earnings and leave statements, etc.

b. Debt Management Offices (OCFO PSB and FSSP FMLOB). OCFO PSB is responsible for the management and collection of all active employee pay or allowance debts that are eligible for recovery by salary offset. FSSP FMLOB is responsible for the management and collecting of pay and allowance debts for

¹ Current delegations from Administrator to CFO are contained within 5450.39D ADM CHGE 8 Delegations of Authority (OCFO).

separated employees and for current employees if salary offset is not available. The overall waiver process should be executed within 60 calendar days from the date the waiver request is received in the OCFO PSB.

(1) Upon receipt of a written waiver request, the OCFO PSB will log and receive an active employee's request. Written waiver requests for separated employees are received and logged by FSSP FMLOB. Once logged, the FSSP FMLOB will forward the waiver request to the OCFO PSB to prepare the waiver request package.

(2) The OCFO PSB will initiate a GSA Form 2578, Report of Investigation of Claim for Waiver of Erroneous Payment of Pay and Allowances. This form is required for evaluating the merit of a waiver request. The OCFO PSB will complete the "Administrative Data" (Sections 1 through 4) and the "Listing of Erroneous Payments" on the backside of the form only if it is related to erroneous pay and allowance payments. Once prepared, this form and supporting documentations will be forwarded for processing as follows:

(a) For claims resulting from an human resource action error, the OCFO PSB will send the initiated GSA Form 2578 and supporting documentation (i.e. employee waiver request, payroll system documentation, etc.) to the Office of Human Resources Management (OHRM), Director of the Office of Human Resources Services (OHRM). The OHRM will complete the GSA Form 2578 Waiver Considerations section (questions 1 through 12) and prepare a written statement of their investigation of findings and explanation of investigation supporting their completion of the GSA Form 2578. OHRM will have 21 calendar days to submit their written statement of their investigations of findings. If OHRM needs additional time, OHRM may submit an extension request to the Deputy Director of Financial Management.

(b) For claims resulting from a time and attendance processing error, the OCFO PSB will send the initiated GSA Form 2578 and supporting documentation (i.e. employee waiver request, payroll system documentation, etc.) to the affected employee's GSA SSO supervisor. The SSO and supervisor will have 21 calendar days to complete the GSA Form 2578 Waiver Considerations section (questions 1 through 12), prepare a written statement of their investigation of findings and explanation of investigation supporting their completion of the GSA Form 2578. If the SSO needs additional time, they may submit an extension request to the Deputy Director of Financial Management.

(3) Upon receipt of the completed GSA Form 2578 and supporting documentation from the responsible investigating organization (i.e. SSO, OHRM, etc.), a waiver investigator in the OCFO PSB will review and perform an assessment of the facts, and provide a recommended response to approve or deny the waiver request. The OCFO PSB will then forward the GSA Form 2578 and supporting documentation, and recommended response to the Deputy Director of Financial Management for a concurrence review. The Deputy Director of Financial Management will submit the GSA Form 2578 and supporting documentation to the GSA designated waiver authority for decision and signature. The following information is required to be identified in the documentation submitted for decision:

- (a) The employee's name;
- (b) The employee's GSA office address;
- (c) Date of discovery of the error;
- (d) The amount of the overpayment;
- (e) Description of the overpayment; and
- (f) A statement of finding and a recommendation to approve or deny the request for waiver.

(4) The signed and completed GSA Form 2578 along with a letter signed by the deciding official, notifying the employee of the waiver decision, and the supporting documentation will be returned to the OCFO PSB. The OCFO PSB will update the waiver log. If the waiver package is:

(a) For an active GSA employee, the OCFO PSB will process the necessary actions in the payroll system, provide the notification letter of the GSA waiver decision to the employee and close out the log.

(b) For a separated GSA employee, the OCFO PSB will send the signed and completed waiver package to the FSSP FMLOB, and update the waiver log. The FSSP FMLOB will process the necessary actions in the accounts receivable system and notify the separated employee of the GSA decision.

33. Collection Activity. On a case-by-case basis the Director of the Office of Financial Management or designee may approve requests to suspend collection on an employee

claim. All employee's requests for this suspension must be in writing and only approved if the request is not frivolous or it can be ascertained that it is not primarily being made to delay collection action. This decision should consider the likelihood that the waiver will be granted on the employee's claim, and consider precedence from past Government waiver decisions.

34. Refund of Employee Claims Collected. The FSSP FMLOB and OCFO PSB will promptly refund amounts collected from the employee whenever:

a. A debt is waived or otherwise found not owing the United States (unless expressly prohibited by statute or regulation); or

b. GSA is directed, by an administrative or judicial order, to refund amounts deducted from the employee's pay.

35. Waiver Decision Appeals. An employee may request an appeal of a waiver investigation decision. Any request for appeal shall be sent to the Deputy CFO and include any new information relevant to the appeal. However, such a submission does not defer the obligation to repay the debt to GSA. The Deputy CFO will review the appeal request, prepare a summary response and forward to the OGC for review and consultation in making a final decision. The Deputy CFO shall notify the affected employee of the appeal decision. The employee notification, appeal decision and supporting documentation will be sent to the OCFO PSB for active GSA employees or to the FSSP FMLOB for separated employees for further processing and updating of the respective systems and records.

36. Referral of Claim for Collection or Litigation. A claim to recover an erroneous payment shall not be referred to the Attorney General for litigation until it has been considered for waiver, unless, after consultation with OGC, it is determined the time remaining for legal action does not permit a waiver to be considered.

37. Tax Reporting. In the event a waiver request is approved, the FSSP FMLOB or OCFO PSB (active employees only) will prepare an IRS Form 1099-C, Cancellation of Claim, to notify the IRS of the cancellation of the employee claim. The amount of the waiver may be taxable in the tax year it is approved.

CHAPTER 4. ALLOWANCES AND WRITE-OFFS

PART 1. ALLOWANCES

1. Background.

a. Guidance for the recognition of losses due to uncollectible amounts is provided in the FASAB by: Statements of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*; SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*; and Technical Bulletin 2020-1, *Loss Allowance for Intragovernmental Receivables*. The following methodologies will be applied for allowance recognition for Federal and non-Federal receivables and recording write-offs of accounts receivable.

b. In accordance with SFFAS 1, the allowance amount shall be estimated and adjusted in the receivable account on a monthly basis. The estimate for uncollectible amounts is based primarily on an aging analysis of homogenous groups of accounts (bills) and individual accounts, when material in amount. Losses on receivables shall be recognized when it is more likely than not, the receivable amount will not be collected. The phrase more likely than not means more than 50 percent chance of loss occurrence.

2. Allowance for Doubtful Accounts. An allowance for doubtful accounts must be established and adjusted on a monthly basis to estimate the uncollectible amounts, reducing the gross amount of receivables to its net realizable value. The loss percentages used in estimating uncollectible amounts, will be developed and periodically reassessed by the FSSP FMLOB and submitted through the FSSP FMLOB Liaison for approval by the Office of Financial Management (BG) Director. The FSSP FMLOB will use historical analysis and other analytical tools to develop loss percentages for major categories of receivables as conditions warrant, or as new information concerning a change in collection trends becomes available. In addition, the FSSP FMLOB should consult with the Financial Management Division and SSOs to assist in their analysis. The FSSP FMLOB will retain any analysis and documentation that supports loss percentages.

a. Measurement of Losses. Losses due to uncollectible amounts shall be measured through a systematic methodology. The systematic methodology shall be based on analysis of both individual accounts and groups of similar accounts as a whole.

b. Individual Analysis.

(1) Accounts that represent significant amounts should be individually analyzed to determine the loss allowance. Loss estimation for individual accounts should be based on:

- (a) The debtor's ability to pay,
- (b) The debtor's payment record and willingness to pay, and
- (c) The probable recovery of amounts from secondary sources, including liens, garnishments, cross servicing collections and other applicable collection tools.

(2) The allowance for losses generally cannot be based solely on the results of individual account analysis. In many cases, information may not be available to make a reliable assessment of losses on an individual account basis or the nature of the receivables may not lend itself to individual account analysis. In these cases, potential losses should be assessed on a group basis.

c. Group Analysis. Homogenous groups of accounts, subject to the aging analysis, shall be grouped into bill types having similar risk characteristics with regards to the type of service rendered, customer category, billing and collection methodology, or other factors that would impact collections. Examples of such groupings could include Federal vs non-Federal billings, and disputed versus non disputed billings. An analysis need not be performed on any particular subgroup unless it would have a significant effect on the estimate.

3. Recognition of Uncollectible Amounts on Accounts Receivable. In accordance with SFFAS 7, when collection of the full amount of accounts receivable is not probable due to disputes, returns, allowances, price redeterminations, or other reasons apart from credit losses, the revenue originally recognized should be reduced by separate provisions if the amounts can be reasonably estimated.

a. Credit losses result from non-Federal business-like activities, where collection of valid receivables for the full cost of goods or services provided is not expected. Credit losses are recognized as a bad debt expense. Further, United States Standard General Ledger (USSGL) guidance for use of Bad Debt Expense is limited to activity with non-Federal entities only. There are exceptions where bad debt expense is not appropriate for allowances on certain non-Federal receivables. When a receivable is tied to a non-exchange revenue like in the case of interest, penalties, administrative

charges, and transportation audit claims, any allowance will be recorded as a reduction of non-exchange revenue.

b. FASAB, Treasury, and OMB guidance indicates the Federal Intragovernmental environment for reimbursable transactions presumes there is no credit risk for non-payment for goods and services between Federal entities, a determining factor for the use of revenue accounts rather than Bad Debt Expense when recognizing allowances for uncollectable amounts of Federal receivables.

PART 2. CEASING COLLECTION, WRITE-OFFS, AND CLOSEOUTS

SECTION 1. GENERAL GUIDANCE

4. Ceasing Collection Proceedings. In accordance with Comptroller General Decision B-115800, August 17, 1976, and also GAO Principles of Federal Appropriations Law Third Edition, Volume III, Chapter 14, 4. A., after all reasonable collection efforts have been exhausted, an outstanding account receivable is considered uncollectible, and the cost to continue collection efforts is not cost effective to the Government, agencies may cease further collection efforts. When these conditions have been met, a request to cease collection and write-off the account receivable shall be made by the FSSP FMLOB. Write-offs of accounts receivable are defined as the accounting actions to reduce the carrying balance of a receivable to zero. Accounts written off may be further classified as currently not uncollectable or closed-out, as further discussed in Section 3 of this Part. Prior to requesting approval to cease collection efforts and write-off an account balance, the FSSP FMLOB must comply with agreed-upon procedures with the appropriate SSOs for review and concurrence. Copies of all related supporting detail shall be forwarded to the appropriate level supervisor for approval. The request shall be posted to the customer's account file and include the statement number and the amount recommended for write-off.

SECTION 2. UNCOLLECTABLE FEDERAL RECEIVABLE BALANCES

5. Accounting Recognition. The predominant general ledger postings used when writing-off a Federal account receivable balance is a reduction of the original account receivable general ledger account with a matching reduction of revenues, using contra-revenue general ledger accounts established in the USSGL for such adjustments. For certain GSA programs, such as PBS RWA, alternative postings processes may be used, as defined in the approved SOPs for those programs.

6. Threshold Limitations. The FSSP FMLOB must ensure that requests to cease collection and write-off accounts receivable balances are approved in accordance with the established dollar thresholds and set of criteria. Unless otherwise stated in SOPs applicable to specific program receivables, such as PBS RWA receivables, for amounts deemed uncollectable, the general thresholds and criteria are as follows:

a. Receivable amounts of less than \$1,000 may be written off after 180 calendar days old, upon approval by FSSP FMLOB front-line supervisors of accounts receivable operations without additional GSA approval.

b. Receivable amounts from \$1,000 up to \$5,000 may be written off after 270 calendar days old, with the approval by a FSSP FMLOB Branch Chief responsible for accounts receivable operations, without further approval by GSA.

c. Receivable amounts from \$5,000 up to \$20,000 and over 1 year old may be written off, with the approval by the FSSP FMLOB Branch Chief and Division Director, submission to the FMLOB Liaison and approval by the BG Deputy Director.

d. Amounts of \$20,000 or greater and over one and a half years old may be written off, with the approval by the FSSP FMLOB Branch Chief and Division Director, submission through the FMLOB Liaison and approval by the BG Director.

7. Write-off Reversal. If an account previously written off is later collected, the account should be reinstated, reversing the write-off transaction, and then adjusted to reflect payment.

SECTION 3. NONFEDERAL WRITE-OFFS

8. Authorization for Write-off FCCS [31 Code of Federal Regulation (CFR) 900-904] and OMB Circular A-129, Managing Federal Credit Programs, authorize write-offs only for the following reasons.

a. Inability to collect any substantial amount of the debt,

b. Judgment has been obtained and the application of all collection techniques failed to produce full collection,

c. Treasury DMS has been unable to collect the debt and has returned it with sufficient documentation to demonstrate the debt is not collectible,

- d. Debtor has declared bankruptcy and no further prospects for worthwhile recovery are available,
- e. Inability to locate either the debtor or assets that can be liquidated to pay the debt,
- f. Federal statute of limitations has expired for litigation (six years) and the statutes of the State in which the debtor resides preclude further collection,
- g. Statute of limitations for a third party accident claim (three years) has expired,
- h. Collection cost will exceed recovery amount,
- i. Claim cannot be substantiated due to lack of evidence or GSA cannot produce evidence or witnesses to validate a claim and efforts to induce voluntary payment are unsuccessful (such debt cannot be referred to IRS as taxable income). The credit reporting agency must be notified to reflect the change in status of the claim if it was previously reported as delinquent,
- j. The account is delinquent more than two years with no activity, or
- k. In accordance with Treasury Managing Federal Receivables guidelines, write-off of a debt is defined as an accounting action that results in reporting the debt/receivable as having no value on financial and management reports. In those cases where material collections can be documented to occur after two years, debt cannot be written off, and cost effective collection efforts should continue until the estimated collection becomes immaterial. While an account may be written-off to reflect its estimated collectable value, collection efforts may continue, including passive efforts, such as those used by Treasury DMS or other entities a receivable may be referred to for collection.

9. Write-off Limitations.

- a. A write-off request along with a copy of all supporting documentation shall be forwarded by the FSSP FMLOB to the appropriate individual for write-off approval. Accounts receivable are eligible for write-off as soon as 90 days delinquent and below the threshold level indicated below. Determinations to write-off non-Federal receivables do not remove the requirement to submit such receivables to the Treasury for collection actions through TOPS or other cross-servicing programs. The write-off criteria below defines the earliest time when an account receivable is eligible to be

removed from the accounts receivable general ledgers and collection actions ceased by the FSSP FMLOB. The FSSP FMLOB must ensure that write-off requests are approved in accordance with agreed-upon procedures (or SOPs) established with the SSO's. Where not otherwise defined in SOP's, the standard established dollar thresholds and criteria below will be applied:

(1) Amounts \$250 or less may be written off after 90 calendar days delinquent, upon approval by FSSP FMLOB front-line supervisors of accounts receivable operations without additional GSA approval.

(2) Amounts over \$250 and up to \$5,000 may be written off after 150 calendar days delinquent, with the approval by a FSSP FMLOB Branch Chief responsible for accounts receivable operations, without further approval by GSA.

(3) Amounts over \$5,000 and up to \$20,000, and over 1 year old, recommended for write-off by the FSSP FMLOB manager and division director must be submitted through the FMLOB Liaison for approval by the Deputy Director of BG.

(4) Amounts over \$20,000 and less than \$100,000 and 2 years old, recommended for write-off by the FSSP FMLOB manager and director must be submitted through the FMLOB Liaison for approval by the BG Director.

(5) Write-off requests for amounts of \$100,000 or more must be forwarded to the BG Director. Write-off amounts above \$100,000 must be referred to the DOJ through the OGC for advisory opinion, litigation, or other collection action, as appropriate, 31 United States Code (USC) 3711; 31 CFR 903.1. DOJ approval is not required if GSA is only adjusting its accounting records. FAR, 48 CFR 32.610, Compromising Debts, states: "for debts under \$100,000, excluding interest, the designated agency official may compromise the debt pursuant to the FCCS (31 CFR 902) and agency regulations. Unless specifically authorized by agency procedures, contracting officers cannot compromise debts."

b. Once a write-off is approved, it must be recorded. Additionally, the write-off file must include a copy of all related documentation (e.g., reason for write-off, accounting entry, etc).

c. Write-offs generally occurs at one of these points:

(1) There is a business request/concurrence to do a write-off.

(2) If Treasury DMS reports a debt is Currently Not Collectible (CNC), then

process the write off.

(3) Once the debt reaches 2 years.

d. Once the debt is written off, the account must be classified as either one of the following:

(1) CNC. If cost effective debt collection efforts should continue after write-off, then the debt should be classified as CNC. Debt collection efforts include referral to the Treasury Fiscal Service for cross serving or for administrative offset in TOP. CNC classification does not affect GSA's statutory and regulatory responsibilities to pursue future debt collection.

(2) Close-out. If debt collection efforts on a debt would be futile to pursue, then the debt should be classified as close-out. The close-out of a debt triggers the need to determine if the debt must be reported to the IRS as potential income to the debtor, via IRS Form 1099-C, "Cancellation of Debt," under the IRS code for returns relating to the cancellation of indebtedness by certain entity (26 U.S. Code § 6050P). GSA will not take any collection action after the closeout process. Closed accounts must be removed from GSA books and the account shall also be closed at Treasury.

10. Reporting a Write-off as Income to the IRS 1099-C.

a. GSA must report non-Federal debts written off to the IRS, as such amounts are considered income to the debtor. Amounts of \$600 or more must be reported on Form 1099-C, Cancellation of Debt.

b. Amount reported shall include the principal, interest, penalty and administrative costs.

c. Amounts discharged in bankruptcy shall not be reported on the 1099-C but must be documented in the debtor's file.

d. In cases other than Chapter 11 bankruptcy, do not report amounts written off to the extent the debtor is insolvent (e.g., liabilities exceed assets).

e. GSA must provide the debtor with a copy of Form 1099-C. Additionally, GSA must send the 1099-C to the IRS by February 28 of each calendar year for amounts written off in the preceding year.

f. Debts written off and reported as income to the IRS using Form 1099-C cannot be subsequently referred to Treasury DMS for offset.

g. When provided for in profile agreements with the Treasury Fiscal Service, GSA may temporarily delegate responsibilities to the Fiscal Service for compliance with the 1099-C requirements for reporting write-offs (income to the debtor) to the IRS. The Fiscal Service will send GSA a copy of the proposed Form 1099-C each year, based on the amounts determined to be uncollectible. GSA will review and approve the individual proposed 1099-C. Treasury will mail the approved 1099-C to the debtor.

CHAPTER 5. DEBT COLLECTION

PART 1. SECURITY OF ASSETS AND ACCOUNTABILITY

SECTION 1. SAFEGUARDING COLLECTIONS

1. Policies Regarding Duties.

a. The FSSP FMLOB responsibilities include deposit of incoming collections received and control of all GSA collections processed through mail, lockboxes, credit cards, Fedwire deposits, IPAC, and EFT. These collections are for the sale of goods, services, refunds, claims and all other GSA collection activities.

b. Records must be maintained with sufficient detail to readily identify all collections and deposits. Physical control over receipt and deposit funds and accounts must also be maintained. The control records must disclose collections that have been deposited.

c. Reconciliation of collections to deposits and entry of transactions into the accounting system must occur on a timely basis, no later than the end of the month of receipt.

2. Internal Control of Collections. GSA and the FSSP FMLOB and other cash collection offices must maintain internal controls in accordance with guidance in Chapter 1, Part 3 Internal Control and Fraud Prevention and Detection.

a. Policies regarding physical facilities. Cash and negotiable instruments must be secured and safeguarded against waste, loss, unauthorized use and misappropriation.

b. General policy guidelines. Allow only authorized personnel access to the cash-handling activity ensuring that no one individual controls all key aspects of a transaction or event. Maintain accounting controls over the assets and record transactions timely and correctly. Control collections and ensure prompt deposit of all receipts using electronic collection mechanisms (tools or systems) to transfer money where possible.

c. Separation of duties for cash receipts. OCFO policy requires that persons responsible for handling cash receipts should not participate in the accounting or operating functions relating to any of the following: preparing and authorizing payments, shipping and billing for goods and services; controlling accounts receivable and subsidiary ledgers; preparing and mailing statements of balances due, and credits for returns and allowances or for adjustment of amounts due.

SECTION 2. LOSSES IN ACCOUNTS OF COLLECTION OFFICIALS

3. Accountability and Liability of Collection Officials.

a. **Accountability.** Collection officers and other Government employees who have physical custody of Government funds or certain non-cash items negotiable by the bearer or otherwise the equivalent of cash (e.g., vouchers, checks, securities, records) are defined by GAO, in *Principles of Federal Appropriations Law*, Volume 2, 3rd Edition, Chapter 9, as an accountable officer. Accountable officers are responsible for Government funds under Title 31 of the USC and are held to a standard of strict accountability for those funds.

b. **Liability.**

(1) Strict liability of accountable officers became firmly established in a series of Supreme Court decisions to give the officers incentive to guard against theft by others, but also to protect against dishonesty by the officers themselves. The liability is automatic and arises by operation of law at the moment a physical loss occurs or an erroneous payment is made (70 Comp. Gen. 12, 14 (1990); 54 Comp. Gen. at 114). When entrusted with or statutorily made responsible for public funds, Government employees are, in effect, trustees for the taxpayers. They are personally liable for the loss of public funds in their custody.

(2) If the accountable officer is found to be free from fault or negligence, then relief from liability may be granted. Relief, in this context, means an action taken by someone with legal authority to do so, that absolves an accountable officer from liability for a loss. Under 31 USC § 3527, the Comptroller General is the relieving authority and has the authority to grant relief.

(3) It is important to distinguish between strict liability and relief (*Principles of Federal Appropriations Law*, Volume 2, 3rd Edition, Chapter 9). The presence or absence of negligence is not a determining factor in an accountable officers' liability. The law states that an accountable officer is liable for all losses but may be relieved under certain circumstances such as being free from fault or negligence.

4. Reporting a Loss. In the event of a loss, shortage, or theft, the FSSP FMLOB or OCFO PSB accountable officer must promptly report the facts to their immediate supervisor. If the loss appears to be the result of the accountable officer's negligence or

theft, the supervisor must impound and audit the funds. If the loss is the result of a robbery, the supervisor must call the local police and the Department of Homeland Security, Federal Protective Service, if available in the local area. The supervisor should coordinate the investigation and the gathering of documentation to support the final resolution of the loss and for establishing the audit file that is maintained by BG. Irregularities in collection officer accounts are to be reported and relief, if any, granted as provided in 31 USC 3527, (PL 97-258), September 13, 1996 Statue 965

PART 2. PROCESSING COLLECTIONS SECTION

SECTION 1. GENERAL DEPOSITS

5. Minimum Documentation Requirements. The FSSP FMLOB and other cash collection offices receive collections (cash and/or checks) directly from mail rooms. Upon receipt, collections must be immediately placed in a locked safe or cabinet prior to processing for deposit.

6. Separation of Duties. No one individual will be allowed to control all key aspects of a transaction or event. Collections received by one collection officer should be logged in by a different collection officer. Also, the collection officer that prepares the deposit slip should not make the deposit. Duties of collection officers must be separated from recording the accounting entries.

7. Over the Counter Lockbox Checks. Checks that should have been forwarded by the remitter to the lockbox but instead were received by the FSSP FMLOB are considered over- the counter collections. These checks must be reviewed and forwarded to the correct lockbox. The billing supervisor and the SSO must take steps, either by letter or oral communication, to assist the customer in using the correct mailing address so that all future GSA payments will be properly mailed to the correct lockbox.

8. Foreign Checks. Foreign checks shall be processed according to the procedures on Foreign Checks and Currency Drawn on Foreign Banks in accordance with TFM, Volume 1, Part 5, Chapter 6000.

a. Foreign checks drawn in U.S. dollars and payable through a U.S. bank shall be processed in accordance with normal deposit procedures.

b. Checks drawn on foreign banks payable in U.S. dollars, through a bank in the United States, will have an American Bankers Association (ABA) routing and transit number in the upper right corner, and may have Magnetic Ink Character Recognition

encoded with the U.S. bank's ABA routing and transit number at the foot on the front left side of the check. The checks are included with the depositor's regular daily deposit made at the designated depository or Federal Reserve Bank (FRB).

c. Checks drawn on foreign banks and foreign branches of U.S. banks payable in foreign currencies are endorsed and transmitted for deposit with the SF-215, Deposit Ticket on a 1 to 1 basis (one SF 215 per check).

d. To comply with TFM, Volume 1, Part 5, Chapter 2000, Section 2030, a description of each check is maintained by the depositor to permit duplication in the event a check becomes lost, destroyed, or mutilated. Such a record shall also include the foreign currency amount. If adequate records are available to provide identification through an audit trail or if checks are scanned, the additional record maintenance is not necessary.

9. Other Types of Checks. All other deposits [cashier's checks, bank drafts, postal and commercial money orders, Department of Treasury (Treasury) checks] are processed through the lockbox.

10. General Deposit Audit file. A daily electronic Collection Document file for general deposits must be maintained by the collection personnel. The file must include at least the following documents:

- a. Photocopy of each check that was included in the deposit;
- b. Original documents that supported the deposit;
- c. Collection Information Repository (CIR); and
- d. Photocopy of the confirmed copy of the SF 215.

11. Cash. When cash in the form of US currency totals \$50 or more it should be converted to a check by purchasing a postal money order through the US Postal Service, and transmitted timely to the appropriate lockbox. For offices that receive periodic small cash deposits, accumulated amounts of less than \$50 may be held for no more than 90 days prior to converting to a money order and submitted for deposit. See Chapter 1, Part 4, Cash Management for additional information regarding process and timeliness requirements.

SECTION 2. THE LOCKBOX PROCESS

12. Lockbox Process.

a. A lockbox is a post office box established by a financial institution (the lockbox bank) for receipt of payments to an agency. The lockbox system is authorized by Treasury as a collection mechanism to receive monies from remitters. The use of lockboxes is not the preferred mechanism for the collection of amounts due the Federal Government. As further discussed below in Part 3, Section 1 of this Chapter, there are multiple electronic payment/collection mechanisms available for GSA to receive payments. Accordingly, usage of lockboxes, with inherently inefficient paper and mail processing should be avoided when possible.

b. Treasury, GSA, and lockbox banks enter into an agreement whereby GSA directs its payees to forward payments for goods and services to specific post office boxes. Payments are picked up, processed, and deposited by the lockbox bank's personnel once per day. The total amount deposited each day is transferred by wire the following business day to GSA Agency Location Code (ALC) at the FRB of Cleveland. The collection data relevant to each deposit is sent by the lockbox bank to the FSSP FMLOB on the same day the collection is transferred to the FRB of Cleveland. In order to ensure timely and proper recording of collections, several distinct lockboxes are in place to receive the collections associated with GSA's major program activities. All checks made payable to GSA shall be forwarded to the applicable lockbox for the associated program activity. The listing of lockboxes can be found in the OCFO's Financial Guidance section on GSA Insite.

13. Collection Data Forwarded to the FSSP FMLOB By the Lockbox Banks. Copies of the checks deposited by the lockbox banks are available online via Electronic Processing System and Citidirect. Checks unable to be deposited and correspondence sent without a check are forwarded via overnight mail to the FSSP FMLOB. This may include unidentified checks, checks erroneously sent to GSA, Treasury checks issued by other agencies not made out to GSA and Treasury checks issued by GSA and miscellaneous correspondence sent to the mailbox. The FSSP FMLOB documents the contents in the mail and determines where the documentation should be sent.

14. Obtaining Deposit Totals. On a daily basis, GSA collection personnel must go to Treasury's Collections Information Repository (CIR) to obtain totals of deposits made for the previous day. The deposit Summary Report is downloaded from the CIR website. The summary document lists by ALC each lockbox total deposited the

previous day. The total of each lockbox amount that is listed on the system inquiry should be listed separately on a daily control log under the related lockbox number.

15. Receipt of Lockbox Collection Data by Collection Personnel. When a collection package forwarded by the lockbox bank is received by the FSSP FMLOB Provider, the collection personnel opening the package will examine the contents and evaluate the items to determine why the check was not processed. Correspondence documents are distributed to the appropriate SSO. Checks received are entered into a returned check log. Checks along with a form letter will be mailed to the originator via regular mail within five business days. Treasury checks issued by GSA will be sent to Philadelphia Treasury along with a form letter. The form letter will include the reason for return, GSA contact information and complete mailing address for resubmission of a corrected check.

16. Collection Audit File. An electronic file should be established and maintained of each day's collections by collection personnel for reference and audit purposes. The file should consist of:

- a. A log of daily deposits to include: date, deposit ticket number, amount and number of transactions.
- b. A copy of the CIR Summary Report to validate the deposits.

Note: Electronic copies of all checks and their related backup documentation are maintained by Treasury on the Electronic Check Processing website and are available to retrieve, as needed.

SECTION 3. DEBIT VOUCHERS

17. Lockbox and General Deposits. An SF-5515, Debit Voucher is created when a remitter's check that has been deposited to a GSA ALC is returned unpaid by the remitter's bank. Lockbox and general deposit checks that are returned unpaid for any reason by the bank on which they are drawn will be logged in by the collection unit to reverse the previous entry. The FSSP FMLOB will notify the appropriate SSO of the check status.

18. Sales of Personal Property. The FAS, Office of Personal Property Management, is responsible for conducting surplus personal property sales for Federal agencies. They are also responsible for collecting and depositing the proceeds to the FAS miscellaneous lockbox resulting from these sales and forwarding the documentation

for recording in the accounting system. Copies of all checks should be made prior to depositing.

Note: Treasury requires the endorsement on checks deposited contain the ALC and the depositor's address, so that it will be possible to prepare an SF-5515, Debit Voucher, from the information available on the uncollectible check, without having to reference the SF-215, Deposit Ticket.

PART 3. OTHER COLLECTION SYSTEMS

SECTION 1. EFT SYSTEMS

19. Description. A collection system is described by Treasury as a tool or system by which amounts are transferred to a Federal agency from an outside source or from another Federal agency. Federal agencies use a number of collection mechanisms, both electronic and manual. Five important EFT mechanisms are: the ACH System; the FDS; IPAC; Pay.gov; and the Electronic Lockbox. Debt Collection Improvement Act (DCIA) requires vendors to be paid by EFT, and as a condition of the EFT process, all vendors must provide their TIN. The TIN is used in the offset process by Treasury to collect any delinquent debt. The FAR vendor is required to register in the SAM database which contains EFT information. If a vendor is not required to register in SAM, the CO must provide each vendor with an EFT enrollment form upon issuance of an order, unless the vendor qualifies for an exception as outlined in PL 104-13.

20. Preferred Systems. Many systems can be used to collect money, but some more readily reduce administrative processing, improve deposit reporting, improve availability of funds to the Government, and enhance convenience to remitters in paying their bills. DCIA requires all funds to be collected by EFT when cost-effective, practicable, and consistent with current statutory authority.

21. FDS Process. On the payment date, the remitter will request its financial institution to wire funds to Treasury at the FRB of New York to credit the agency's account with same-day availability. The value of funds is transferred via Fedwire from the remitter's bank to the agency's ALC at the FRB of New York.

22. ACH. The ACH system is a nationwide electronic payment and collection network used by the Federal Government, financial institutions, corporations, and individuals for the distribution and settlement of electronic financial transactions. It uses clearing house facilities which receive and distribute credit and debit entries for financial

institutions. Funds are sent electronically through the Federal Reserve System. The Treasury Fiscal Service also provides ACH services through the General Lockbox Network. The three types of ACH collection applications are Pre-Authorized Debit (PAD), Customer Originated Credits (COC), and Remittance Express (REX).

a. PAD is an electronic transfer of funds via the ACH system from a remitter's account, authorized in advance, in writing, usually to occur at regular intervals. PAD permits Federal agencies to collect payments automatically on predetermined due dates from remitters. Remitters sign an enrollment form authorizing the agency to process debits directly against their bank accounts.

The funds are debited from the remitter's account by the financial institution and transferred through the ACH network to the agency. This type of collection mechanism is well suited for recurring payments of fixed amounts such as payment installments for out of service debts.

b. COC is an EFT the remitter initiates by requesting the financial institution send the payments to the ACH system and apply payments to the agency account. The remitter completely controls the timing and amount of payment.

c. REX is another electronic collection mechanism. It allows a Federal agency to use the ACH network to receive payments from the public. The remitter pays an obligation to the Federal agency by sending an ACH credit transaction to a unique routing transit number at the FRB. The FRB passes information to the TRS and updates the agency's account. This method saves operating cost to the Government since no financial institution is needed to process the transaction.

GSA or the FSSP FMLOB advises the remitter of what information to include in the REX transaction. The remitter provides instructions to its financial institution on the correct ACH format to use, the information to be included, and authorizes a credit transaction to the FRB. The FRB receives the transaction and credits the REX account. Transaction information is passed into the TRS. The transaction information, which includes both detail payment information and summary deposit (SF-215) information, is made available to the agency through TRS. The agency can download information to update its accounts receivable system.

23. Pay.gov. Treasury developed Pay.gov to process electronic collections using internet technologies. Pay.gov satisfies agencies and consumers demands for electronic alternatives by providing the ability to electronically complete forms, make payments and submit queries 24 hours a day. Pay.gov is a secure Governmentwide

collection portal. The application is web-based allowing customers to access their accounts from any computer with internet access. Pay.gov provides a suite of services allowing agencies to obtain and process collections in an efficient and timely manner. The Pay.gov application is comprised of five services: collections (ACH and credit card), forms, billing/notification, reporting, and verification.

a. When a Pay.gov account is requested by a SSO, or Region, the written request should be sent to the Data Delivery and Management Division (BIC) in the OCFO's Office of Analysis, Performance, and Improvement to establish the account. Because of the interactions between OCFO offices and Treasury, the establishment of a Pay.gov account takes an average of 90 days. The request should be submitted via email to : CFO-DataDeliveryManagement@gsa.gov, and must include:

- (1) The SSO requesting the account, with 'PAY.GOV' in the subject line;
- (2) The program associated with the request;
- (3) A completed Treasury Card Acquiring Service Application (<http://www.fms.treas.gov/cas/index.html>);
- (4) A justification to establish an account, including:
 - (a) The estimated number of transactions per month; and
 - (b) The estimated monthly amount of funds deposited in the account.

b. BIC will review the request to confirm all mandatory information has been submitted, and then will forward the request to the FSSP FMLOB, for concurrence. The FSSP FMLOB shall evaluate the request based on the following criteria:

- (1) Review of the business case;
- (2) Review of the volume of activity;
- (3) Review of the economics and level of effort required to establish a new account;
- (4) Examination of the existing accounting practices to ensure a better workflow does not exist to process this activity;
- (5) Determination that utilizing a Pay.gov account is appropriate; and

(6) Determination of whether the proposed transactions can be processed through an existing account.

A key factor in this decision is whether the new activity can be distinguished from the existing accounts' activity. The accounting treatment for the new activity will also be reviewed to ensure the attributes in the accounting string are correctly identified and compatible with the accounts' current activity.

The proposed transactions used with Pay.gov will also need to be reviewed to ensure the postings accurately post to Pegasys and can be reconciled utilizing the current process for the existing account. If the proposed transactions cannot be reconciled, or should not be combined with an already established Pay.gov account, the FSSP FMLOB will recommend a new account be established to handle the activity.

c. After the FSSP FMLOB have concurred on the request, and have completed the financial section of the application, the documentation is forwarded to BIC for processing, and then sent to BG for approval.

d. After BG has approved the application, BIC will submit the appropriate documents via Pay.gov to Treasury for further approval.

e. After approval by Treasury, BIC will schedule a kickoff meeting with Treasury, the FSSP FMLOB, and the requesting SSO will establish an implementation schedule.

f. BIC will coordinate all meetings with Treasury and the FRB to design, test, and implement the collection form requirement for the web site.

g. BIC will assist the Service, Staff Office, or Region in designing the Pay.gov collection form, while the FSSP FMLOB will conduct the testing with the FRB and requestor.

24. TOP. TOP is a centralized offset program, administered by the Treasury DMS, to collect delinquent debts owed to Federal agencies. Claims are recorded in TOP with the TIN and name of the debtor. Treasury payments with the same TIN are withheld and applied to the total amount due in TOP.

25. IPAC System. IPAC is the primary system used for settlement of intragovernmental payments, collections and transfers. See Paragraph 24.c. in Chapter 1, Part 4, and Chapter 2, Part 3 of this Handbook for further information regarding the use of IPAC.

SECTION 2. COLLECTION RECORDING PROCEDURES

26. Fund Type. TFM, Volume 1, Part 2, Chapter 1500, describes accounts relating to the Government's financial operations. This chapter of the TFM describes how funds are requested and created, as well as the basic characteristics of each of the fund types. In general, GSA should strive to immediately record all collections into the appropriate fund. If the collection meets certain criteria described in the following paragraphs, it may belong in a receipt or deposit fund.

a. Receipt Funds Defined. OMB Circular A-11 defines receipts as the money collected by the Federal Government and its accounts that is counted as income in the budget; it is classified as either governmental receipts (also known as receipts or revenues) or as offsets to budget authority and outlays. These monies are generically referred to as collections. Collections result from the following transactions:

(1) Sovereign Power. Payments from the public that result primarily from the Government's exercise of its sovereign power to tax or otherwise compel payment, and from gifts of money.

(2) Business-type Transactions with the Public. Payments from the public in exchange for goods and services.

(3) Intragovernmental Transactions. Payments from other Federal Government accounts.

b. Deposit Funds Defined.

(1) TFM, Part 2, Chapter 1500, Section 1535, defines deposit funds as a liability in the Government's central summary general ledger since those assets do not belong to the Government. OMB Circular A-11 defines deposit funds as monies that do not belong to the Government. This includes monies held temporarily by the Government until ownership is determined (such as earnest money paid by bidders for personal property sales) or held by the Government as an agent for others.

(2) The deposit fund account classification is proper for any account that meets one of the following three criteria:

(a) Monies withheld from Government payments for goods and services received;

(b) Monies the Government is holding awaiting distribution based on a legal determination or investigation; or

(c) Deposits received from outside sources for which the Government is acting solely as a banker, fiscal agent, or custodian. Deposit funds transactions are excluded from the GSA budget totals because the funds are not owned by the Government.

PART 4. CLAIMS, CROSS-SERVICING, DEBTOR RIGHTS AND EMPLOYEE TRAVEL CHARGE CARD DELINQUENCY

27. Types of Claims Originating Outside the FSSP FMLOB. This section details the procedures and policies for claims outside of GSA.

a. Miscellaneous Accounts Receivable Claims. These arise through no fault of GSA (as opposed to accounts receivable claims that arise through GSA payment actions). Usually miscellaneous receivable claims result from property damages, returned checks for non-sufficient funds or closed accounts. Property damages arise when a third party damages a GSA vehicle, building, or other personal property.

b. Returned Check Fees. Claims may result in the bank charging GSA a processing fee. In this case, these claims would involve GSA making an initial payment and then seeking reimbursement through a claim. It should be noted that these are not erroneous payment claims because GSA has incurred a true expense and should be reimbursed for the bank charges.

c. Payment Offsets. Whenever possible, during the first 30 days after a claim arises, FSSP FMLOB should try offsetting a payment to the customer against payments that GSA owes. While offset is preferable, it may not be possible in all cases, and FSSP FMLOB should not delay in commencing collection activities.

d. Uncollected Debts. DCIA requires that uncollected debts be referred to Treasury no later than 120 days after the debts become delinquent. This 120-day requirement applies to claims as well.

e. Collection Fees. When Treasury collects a claim on behalf of GSA, Treasury collects the referred amount plus a fee to cover collection efforts. GSA will receive the full amount of the claim.

f. Write-off Reversal. There may be instances when a claim is written off and then subsequently collected. In this case, the FSSP FMLOB shall reverse the write-off (reinstating the claim) and record the collection. All payments made by the debtor on a delinquent debt must be applied, unless contractually provided, in the following order:

- (1) Penalties;
- (2) Administrative costs;
- (3) Additional interest;
- (4) Financing interest; and
- (5) Principal, unless late payment charges have been waived.

g. Excess Cost/Default Termination. These receivables result from determinations by auditors or COs that contractors have billed GSA over and above what a contract calls for; excess costs from contract terminations; and contractor non-performance resulting in default. These claims originate in the SSO.

h. Defective Materials. These receivables result from payments made by GSA for items later determined to be defective. These claims originate in the SSO.

i. Audit Related. Audit-related claims are the result of questioned costs on Government contracts and originate in the OIG. Once the auditors and GSA management agree on the action to be taken, the Internal Controls Division (BGI) will notify the FSSP FMLOB. Upon receipt of the notice of resolution, the FSSP FMLOB shall establish a claim. The final determination of the claim is reviewed and approved by GSA management through BGI. Upon making a final determination on an audit-related claim, the CO will issue the initial demand for payment. A copy of the demand letter shall be sent to the FSSP FMLOB, which will use it as the basis for establishing a claim receivable.

j. Liquidated Damages. A stipulation in a contract on monetary amount that must be paid by the contractor if the contractor fails to deliver supplies or perform services as specified in the contract or any modification. Payments are in lieu of actual damages related to the failure in the contract performance (FAR 52.211-11 or 52.211-12). Progress payments are recouped by the Government through the deduction of liquidations from payments that would otherwise be due to the contractor. Liquidated damages are not the Government's exclusive remedy for a contractor's late delivery or untimely performance but rather are in addition to any other remedies that are available under the contract or at law. Liquidated damages should not serve as a penalty, but rather they should be a reasonable approximation of the actual damages that have been or will be suffered by the Government.

k. FAS Liquidated Damages. These claims arise as a result of default by a bidder on either payment or removal of surplus personal property. These claims originate in the FAS Sales Office. If a bidder defaults, the CO forwards a "Notice of Default" to the bidder. If the default is not reversed, the contract is terminated and the buyer is assessed liquidated damages. At this time, the buyer's name and TIN is added to the Sales Automated System Bidders Default, Debarment List until collection is made. A copy of the termination lot and Notice of Default is forwarded to the FSSP FMLOB by the FAS Sales Office which should be used as the basis for establishing a claim receivable.

l. PBS Liquidated Damages. These damages arise from a contractor's late delivery or untimely performance on a contract when the delinquency is inexcusable and not the fault of the Government. Liquidated damages are used only when the time of delivery or timely performance is so important, the Government may reasonably expect to suffer damage if the delivery or performance is delinquent and the damage to the Government would be difficult or impossible to estimate accurately or prove. Liquidated damages can be assessed only if the contract contains the applicable clauses. FAR Subpart 11.5 prescribes the policies and procedures for using liquidated damages clauses in solicitations and contracts for supplies, services, and construction. Liquidated damages clauses may also be included in leases. If because of the late delivery or untimely performance, a CO terminates a contract for default or follows a course of action instead of termination for default, the CO must promptly assess and demand any liquidated damages to which the Government is entitled under the contract. If liquidated damages are assessed but the contract is not terminated, the damages are usually offset against the unpaid contract balance. Otherwise, a demand letter is issued by the CO requiring payment from the contractor. These payments are then processed in accordance with GSA policy.

m. Freight Loss or Damage. Transportation Accounts Payable System (TAPS). These are claims against a carrier for loss or damage to property and originate in the FAS National Customer Service Center (NCSC). There is a \$25 minimum for the filing of loss and damage claims against a carrier. The NCSC will send the initial demand letter and SF-362, U.S. Government Freight Loss/Damage Claim, to the carrier and a copy to the FSSP FMLOB. No offsets will be made against carrier claims for 120 calendar days [41 CFR 101-40.711-1, claims against domestic carriers]. Once the accounts receivable claim is established, the steps below must be followed.

(1) The FSSP FMLOB must ensure the initial demand letter to the carrier (debtor), which is prepared by the NCSC, properly notifies the debtor of interest and

other late payment charges to be assessed if the claim is not paid within 120 days and that administrative offset will be performed after 120 days.

(2) Follow up with second and third demand letters at 30-day intervals after the 120-day period ends.

(3) Post the collected funds to interest, penalty, administrative cost, and general ledger accounts.

(4) Immediately update the claim file, so that the correct receivable balance is known in the event the claim is transferred to Treasury for collection.

n. Federal Supply Service Payment System (FEDPAY). Procurement types processed by FEDPAY include supply center replenishments, direct deliveries, and vehicle purchases. The CO must coordinate with the FSSP FMLOB to ensure timely issuance of the initial demand for payment. A copy of the demand letter or other appropriate supporting documentation will be sent to the FSSP FMLOB. The FSSP FMLOB currently receives requests for vendor claims either through modifications of the Purchase Orders or email requests from COs. The FSSP FMLOB will establish the claim once either of these actions occur.

(1) Upon receipt of a copy of the initial demand letter from the CO, the FSSP FMLOB will record the claim.

(2) Ensure the initial demand letter to the contractor (prepared by the CO) notifies the debtor that late payment charges will be assessed on the claim if it is not paid within 30 days and that amounts due may be administratively offset against other money due from the Government. It is not necessary to wait 30 days before offset.

(3) Initiate administrative offset against payments to the debtor for the amount of the claim.

(4) Follow-up with a second demand letter upon receipt of any claim 30 days old or older. A third demand letter will be issued 30 days after the date of the second demand letter.

(5) Ensure that late payment charges are accrued on all claims accounts from the initial demand letter date.

o. Discounts on Aggregate Sales. These claims arise out of additional discounts

earned by the Government if sales exceed benchmarks set in the contract. A copy of a demand letter or other appropriate supporting documentation from the CO will be sent to the FSSP FMLOB and serve as the basis for establishing a claim.

p. Vehicle Damages Involving Third Parties. These are claims resulting from damages to GSA Fleet Management Center (FMC) vehicles where recovery is sought from a third party. These claims originate in the Regional FMC or in the Office of Regional General Counsel. An electronic file will be sent to the FSSP FMLOB to establish a claim.

q. Freedom of Information Act (FOIA). GSA records are furnished to any member of the public upon request under FOIA regulations. Customer charges for these services are generally calculated by the FSSP FMLOB and then furnished to the appropriate SSO.

r. Federal Employees Health Benefits (FEHB). These claims are recognized for amounts of insurance premium payments made on behalf of the employee while on extended periods of LWOP. The OCFO PSB will contact the employee regarding maintaining coverage and paying back the premium amounts.

s. Erroneous Overpayment of Pay and Allowances. Claims arising from overpayment of pay, benefits or allowances are generally the result of errors made in processing of OHRM personnel actions, errors made in submission of timecards, and the retroactive correction to the employee's personnel or payroll account. Claims may also arise as result of refunds an employee may owe GSA in certain conditions related to the Student Loan Repayment Program, or conditions tied to hiring or retention bonuses.

28. Types of Claims Originating Inside the FSSP FMLOB.

a. Accounts Payable. Included in this category are claims arising from erroneous payments, duplicate payments, overpayments, and payment recapture audit.

b. Duplicate Payments. Claims arising from duplicate payments by the FSSP FMLOB to a vendor.

c. Erroneous Payments. Claims arising from payments made to the wrong vendor or in the wrong amount.

d. Automotive Payment System (AUTOPAY). Claims are the result of erroneous

payments made to vendors in the automotive payment system. The FSSP FMLOB will send the initial demand letter to the vendor and establish the receivable. Once the receivable is established, a copy of the demand letter along with any documentation will be transmitted to the appropriate division. Upon receipt, the division will establish a file and continue all follow-up if the claims are not satisfied within 30 days.

e. Demand for Payment.

(1) Duplicate and erroneous payment claims. The appropriate FSSP FMLOB usually will initiate the first demand letter.

(2) Travel advance claims. Funds advanced to GSA employees that are not refunded timely.

(a) In the case of an outstanding travel advance or voucher, the procedures to follow are contained in the OAS 5735.1, Travel Advances .

(b) If an advance cannot be recovered the appropriate FSSP FMLOB will prepare an initial demand letter and forward the claim to the FSSP FMLOB for administrative offset.

(c) If the FSSP FMLOB determines the debtor is a former employee they should forward the claim to Treasury for follow-up collection activity.

29. Debt Collection Requirements for Cross-servicing. DCIA requires agencies to refer their delinquent nontax debt to Treasury no later than 120 days after the debts become delinquent.

a. GSA retains responsibility for reporting debts on the TROR on Receivables Due from the Public (for direct and insured loans) and the Report on Guaranteed Loans (for guaranteed loans). GSA's Cross-Servicing agreement with Treasury covers all debts, including updates, changes, and modifications submitted on or after the date of the agreement, to the Fiscal Service for collection through Treasury DMS Cross-Servicing Program. By submitting debts via an add record or update record, the person submitting such debts is certifying to Treasury, under penalty of perjury pursuant to 31 USC § 3716, 31 USC § 3720a, and 28 USC § 1746, that to the best of his or her knowledge and belief, the following is true and correct:

Debts submitted for Cross-Servicing must be delinquent, valid, and legally enforceable in the amounts stated and the debts are not subject to any circumstances that legally

preclude or bar collection, including collection by offset. There should be no foreclosures pending with respect to any collateral securing a debt and GSA records do not reflect that any debtor owing a debt has filed for bankruptcy protection. Alternatively, GSA can clearly establish that any automatic stay has been lifted or is no longer in effect.

b. Types of Treasury offsets.

(1) Administrative and Tax Refund Offset. GSA has established a profile instructing DMS to refer debts to TOP for Cross-Servicing on its behalf for the purposes of tax refund and centralized administrative offset, the person submitting such debts will certify the following: GSA has complied with all of the provisions of 31 USC § 3717 and the FCCS, as well as other statutes, regulations and policies applicable to GSA's assessment of interest, penalties and administrative costs.

(2) GSA is also responsible for removing accounts from receivables status when Treasury directs GSA to write-off cross servicing debts. Treasury will rely on GSA OIG to ensure compliance with DCIA.

c. Excluded delinquent debts. There are six instances where debts are excluded from transfer to Treasury DMS are presented in the listing below. When a debt no longer falls in one of the above categories, and it becomes valid and delinquent, it must be transferred to Treasury within 30 days.

(1) Debts that are in litigation or foreclosure;

(2) Debts that will be disposed of under an asset sales program within one year after becoming eligible for sale, or later than one year if consistent with an asset sales program and a schedule established by GSA and approved by the Director of OMB;

(3) Debts that have been referred to a private collection contractor for collection for a period of time determined by Treasury;

(4) Debts that have been referred to a Federal debt collection center with the consent of Treasury and for a period of time determined by Treasury;

(5) Debts that will be collected under non-centralized administrative offset or internal offset if such offset is sufficient to collect the debt within 2 years after the debt is first delinquent; and

(6) A specific class of debt may be excluded by the Secretary of the Treasury at the request of the GSA Administrator.

d. Debts in appeal process. Debts in an administrative appeal process will be transferred to Treasury once the appeal process is completed and the amount due has been fixed. The date of delinquency is the date the original payment was due. Treasury realizes these debts may be past the 120 day period for mandatory referral.

e. Electronic debt referral. The FSSP FMLOB will submit debts to Treasury Cross-Servicing on behalf of GSA via electronic transmission of add record or update records. Each time the FSSP FMLOB submits a debt via an add record or update record, the FSSP FMLOB is certifying that:

(1) GSA has complied with all of the provisions of 31 USC § 3716, 31 USC § 3720A, 31 CFR 285.2, and the FCCS (31 CFR Parts 900-904), as may be amended, as well as other statutes, regulations, and policies applicable to collection by administrative offset and tax refund offset.

(2) Written notification was provided at the debtor's most current known address, of the nature and the amount of the debt, the GSA's intention that Treasury collect the debt through administrative offset and tax refund offset, and an explanation of the rights of the debtor.

(3) Debtor has had an opportunity to inspect and copy the records with respect to the debt.

(4) Debtor has had an opportunity to review the debt and present evidence that all or part of the debt is not past due or legally enforceable.

(5) Debtor has had an opportunity to enter into a written repayment agreement.

(6) GSA and the FSSP FMLOB have considered any evidence presented by the debtor and determined the amount of the debt is past due and legally enforceable and there are no pending appeals of such determination.

(7) GSA and the FSSP FMLOB have, at a minimum, made a reasonable effort to obtain payment of the debt by demanding payment and providing the debtor with the notice and opportunities.

(8) GSA and the FSSP FMLOB have provided a written notice to all debtors explaining requirements concerning the charges. Certification: pursuant to 28 USC § 1746.

30. Employee Delinquent Travel Charge Card Amount Owed to a Contractor. This section details the procedures and policies for collection of undisputed delinquent debt on contractor issued, individually billed travel charge cards.

a. Authority. PL 105-264 authorizes Federal agencies to collect undisputed amounts incurred on an employee's individually billed travel charge card from an employee's disposable pay. This statute is implemented by the Federal Travel Regulation (FTR), Parts 301-54 and 301-76.

b. Request for Collection.

(1) The Office of Administrative Services (OAS) is designated to receive the written request from the travel charge card contractor for collection from an employee's pay of undisputed debt on the travel charge card.

(2) The travel charge card contractor must make a written request to GSA with a copy to the employee. The request must include:

(a) Delinquent debtor's name and travel charge card account number;

(b) Amount of debt, itemized by purchase and represent undisputed amounts owed on the travel charge card. (No interest will accrue on amounts presented for collection);

(c) Copies of monthly statements showing the amount was properly billed to the employee account; and

(d) A contact at the travel charge card contractor with information to allow the employee an opportunity to make a written agreement to repay the debt and clarify the amount presented will not be increased.

(3) The written request, along with supporting documentation, will be reviewed to determine whether charges are undisputed and owed by the employee. Any discrepancies for amounts owed with the travel charge card contractor will be reconciled before any further steps are taken. After the review is completed, OAS will send documentation to support undisputed charges with the written request to the

FSSP FMLOB.

(4) The FSSP FMLOB will review travel payment records and determine that all properly submitted travel expense vouchers have been paid to the employee. If the review shows that GSA has not reimbursed all payments to the employee, the FSSP FMLOB will advise OAS of the amounts and the expected date of payment to the employee. OAS will notify the travel charge card contractor if any of these travel payments will delay the offset process. If all properly submitted travel expenses have been paid, OAS' Office of Travel and Charge Card Services (H1BB) will forward all documentation to the OCFO PSB to initiate the salary offset of bi-weekly pay.

(5) Delinquent and undisputed travel advances may be collected by GSA if a proper travel claim is not filed by the traveler within five workdays after the travel is completed as required, unless the delay was not the employee's fault.

(6) Salary Offset process and responsibilities. Federal salary offset is a mechanism for collecting obligations from active Federal employees. The OCFO PSB will deduct the amount due from current employee paychecks in accordance with established regulations for administrative wage garnishments (41 CFR 105-57).

(a) The OCFO PSB will review the employee's payroll records and determine if the employee has the ability to pay the debt via salary offset.

1. If the employee does not have the ability to pay the debt via salary offset, the OCFO PSB will notify OAS by e-mail. OAS will notify the OCFO PSB and the travel charge card contractor in writing that the employee cannot pay the debt by salary offset.

2. If the employee has the ability to pay the claim, the OCFO PSB will notify OAS, who will notify the employee of intention to collect the debt by salary offset, the amount of the bi-weekly deduction, and pay periods in which deductions will begin; and provide copies of the documentation to the employee of the undisputed amounts owed to the travel charge card contractor. OAS will send the notice to offset by certified mail, return receipt requested, to the home address contained in the employee master record. The notice will advise the employee that they will have 30 days from the date on the employee signed the receipt to review the information and make a written agreement with the contractor to pay the debt.

(b) The employee will provide a copy of the written repayment agreement OAS. If the employee does not make a repayment agreement with the travel charge

card contractor to repay the debt within 30 days from the date the employee signed the return receipt, OAS will notify the OCFO PSB to begin payroll offset deductions. If the employee does make a repayment agreement with the travel charge card contractor at a later date, OAS will notify the OCFO PSB to stop the salary offset after receipt of the written agreement between the employee and the travel charge card contractor.

(7) Due Process.

(a) Notice to Employee. When OAS determines that collection can begin, the employee must be notified and provided with the following due process protections as described in the FTR, Parts 301-54 and 301-76. The OAS notice will be mailed to the employee's home address, return receipt requested. The OAS written notice must include the following:

1. Type and amount of the claim, identifying the travel charge card contractor and account number;
2. GSA's intention to collect the claim by deduction from the employee's net disposable pay;
3. Copies of monthly account statements showing itemized charges that substantiate the undisputed debt owed;
4. Opportunity for review within GSA of the decision to collect the amounts; and
5. Opportunity to make a written agreement with the travel charge card contractor to repay the delinquent amounts.

(b) OAS's Responsibilities. OAS is responsible for assuring the employee has been afforded due process before any amounts are collected from the employee's disposable pay as follows:

1. A review was made to determine the amounts requested represent undisputed delinquent debt owed by the employee on the contractor issued travel charge card.
2. The employee was afforded 30 days from the date the employee signed the return receipt as described in paragraph 4, above, to make a written agreement with the travel charge card contractor. If, however, the employee's signed

receipt is not received within 10 days from the date of mailing, OAS will follow-up with the employee's approving official for a current mailing address. The FSSP FMLOB must obtain a copy of the written agreement for the employee. If no agreement has been reached, collection may begin.

3. Notifying the employee that if they want a review within GSA, the request must be in writing or by e-mail and collection cannot begin until the review has been completed.

(8) Collection by PSB. Once OAS has ensured that all due process requirements are satisfied, the OCFO PSB will proceed with collection and calculate the employee's net disposable pay, defined as compensation remaining after the deduction from earnings of any amounts required to be withheld by law in FTR Part 301-76.2. The OCFO PSB will calculate the amounts that will be deducted and the number of pay periods over which collection will occur. Once all prerequisites are met, OAS will notify the employee, as outlined above, and the travel charge card contractor that collection will begin the next pay period.

(a) No more than 15 percent of the employee's disposable pay per pay period will be collected under this procedure, unless the employee agrees in writing to a greater deduction.

(b) Travel Card debts covered by this collection procedure is lower in priority to all other involuntary collections, commercial wage garnishments, child support and alimony garnishments, tax levies, and offset actions. It will not be collected if higher priority garnishments and Government debts results in the collection of more than 25 percent of the employee's disposable pay for any given pay period.

(c) Collection procedures under this section will be terminated when the full amount of debt is collected, when the employee enters into a written agreement to repay the travel charge card contractor, or when the employee separates from GSA.

(d) The procedures outlined above shall not preclude a voluntary agreement between the employee and the travel charge card contractor for repayment. If a voluntary collection agreement is made, the parties must notify OAS and the OCFO PSB in writing so that collection procedures can be terminated. Voluntary repayment may be accomplished through a mutual agreed upon arrangement between the employee and the travel charge card contractor and may include voluntary financial allotment of pay initiated by the employee.

PART 5. DEBT COLLECTION PRACTICES

31. Communication With the Debtor. Federal customer agencies are not subject to the Fair Debt Collection Practices Act (FDCPA). The FDCPA provides guidance in communicating with public debtors. Additional information about the FDCPA can be found at FTC.Gov. The following Public Laws provide guidelines for debt collections practices.

a. Fair Credit Reporting Act of 1970, (PL 91-508) and (15 USC 1681 et seq.) as amended December 4, 2003.

b. FDCPA of 1977, (PL 95-109) and (15 USC 1692 et seq.).

32. Appropriate Debt Collection Practices.

a. Maintain objective written records of all communications with the debtor. Be aware that written records (notes, e-mail, etc.) may be provided to the debtor upon request or may be subject to discovery in litigation;

b. Maintain professional, courteous, firm, and direct communication. Avoid getting angry or emotionally involved. Also, be aware that some debtors may record the conversation;

c. Follow-up all telephone conversations with written communication, if possible; and

d. Direct the debtor to include the appropriate information on the check and to mail the check to GSA approved lock box or mailing address) or suggests the debtor use another authorized method of payments, such as Pay.Gov or as stated in the debt letter.

33. Inappropriate Debt Collection Practices.

a. Do not threaten the debtor;

b. Do not call the debtor and let the phone ring for harassment or threaten action that cannot be legally taken or is not intended to be taken;

c. Do not continue to contact the debtor if he or she has stated in writing that they refuse to pay the debt. Instead notify the debtor in writing about specific collections actions that could be taken; and

- d. Do not contact the debtor during the bankruptcy process.

CHAPTER 6. REVIEW AND CERTIFICATION OF (UFCOs)

PART 1. REVIEW AND CERTIFICATION OF UFCOs

1. Review and Certification of UFCOs. GSA requires that each SSO conduct a semi-annual review and certification of UFCOs. The review and certification should be accomplished by February 28 and July 31 of each fiscal year and will be subject to internal control testing conducted under OMB Circular A-123, Appendix A, Internal Control over Financial Reporting. An UFCO is established when a customer places an order for goods or services from GSA.

a. The HSSOs will send a written and signed certification to BG stating the semi-annual review of UFCOs has been performed in accordance with this policy. Supporting documentation such as a list of customer orders reviewed, action taken, and final determination must be included.

b. New UFCOs initially established less than 90 calendar days prior to the effective date of the review will be excluded from the review. All other UFCOs will be reviewed under the criteria below.

(1) General Supplies and Services. The flow through processed through FEDPAY and Customer Supply Center (CSC) replenish the UFCOs.

(a) UFCOs from the current and prior fiscal year, review 100 percent of orders over \$100,000 and 5 percent of the number of orders between \$5,000 and \$100,000.

(b) UFCOs older than the prior fiscal year, review 100 percent of orders over \$50,000 and 10 percent of the number of orders between \$5,000 and \$50,000.

(c) Review 100 percent of all other UFCOs, over five years old.

(d) For the current and prior two fiscal years, review 75 percent of the remaining dollar value of the UFCOs.

(e) UFCOs older than two prior fiscal years, review 100 percent.

(2) Other Federal Acquisition Service (FAS) Business Lines.

(a) Review 100 percent of unassigned funding on UFCOs over five years

old based on the budget fiscal year of the customer's authority or equivalent.

(b) Review 85 percent of all UFCOs between three to five years old based on the budget FY of the customer's authority or equivalent.

(c) Review 75 percent of the remaining dollar value of unassigned funding on UFCOs less than three years old based on the budget FY of the customer's authority or equivalent.

(3) Public Building Service (PBS).

(a) Recurring and F-type non-recurring Reimbursable Work Authorization (RWA) will not be reviewed under this policy.

(b) Review 100 percent of all UFCO balances of \$3 million or greater.

(c) Review 100 percent of all UFCO balances that are 98 percent or more financially complete.

(d) Review 100 percent of all UFCOs balances five years old or greater based on the customer's fiscal year funding authority.

(e) Review 75 percent of UFCO balance between one to four years old based on the customer's fiscal year funding authority with no financial activity for more than one year.

(4) Staff Offices.

(a) For the current and prior two fiscal years, review 75 percent of the remaining dollar value of the UFCOs.

(b) For UFCOs older than two prior fiscal years, review 100 percent.

(c) All UFCOs deemed invalid must be cancelled in accordance with policy. GSA maintains supporting documentation for UFCO review for two years.

2. System Reconciliation. The FAS Financial Services Division (BGF) and the PBS Financial Services Division (BGP) are responsible for performing a periodic reconciliation of their service- owned interfacing business feeder systems to

Pegasys records. For systems used for UFCO reporting and relied upon for performing semi-annual UFCO certifications, reconciliations should be conducted as needed to ensure completeness of records used for the certifications, with at least one reconciliation during the fourth quarter of each fiscal year to ensure the accuracy of the annual financial statements and other reports.

PART 2. CLOSE-OUT/CANCELLATION OF UFCOs

3. Close-Out of UFCOs. GSA COs have the important responsibility of executing contracts and orders that obligate the Government to pay for goods and services. They must expend funding prior to expiration, and eliminate potential claims that may be incurred on contracts. These responsibilities are of increased significance when the source of funding for contracts is tied directly to customer agreements.

a. Delays in the contract closeout process can result in the loss of available funds, as appropriations obligated on these physically completed contracts often close and are no longer available for use. CO's must be aware of customer funding limitations, such as periods of availability, when managing contracts charged against UFCOs.

b. Financial managers have the important responsibility to ensure Government obligations executed by CO are properly recorded in the financial management system and matched appropriately to UFCOs.

(1) UFCOs recorded in the financial system must be reviewed, adjusted, and/or canceled per instructions from CO as required to ensure accurate, consistent, and timely financial reporting as well as proper business practice.

(2) Contract closeout and UFCOs cancellation guidelines

(a) Heads of Contracting Activity (HCAs) are responsible for taking appropriate steps to ensure that completed contracts are formally closed in accordance with the FAR 4.804, and GSAM 504.804-5, and the guidelines provided below for simplified acquisitions and contracts with residual balances. The closeout actions in FAR 4.804-1(a) (2), (3), and (4) may be modified to reflect the extent of administration that has been performed. Such acquisition close-outs often have direct linkage to close-outs of UFCO and customer agreements.

(b) COs must be vigilant and proactive with respect to proper contract closeout procedures. COs must not allow completed contracts to remain open.

Failure to conduct timely closeout is a violation of regulatory and statutory requirements, and negatively impacts GSA's accurate and timely financial reporting, as well as customer agencies reporting, when they rely upon GSA for timely management and communication of order fulfillment. As contracts are amended or closed, CO's must take timely action to notify project managers, customer service representatives managing customer orders, or OCFO fund managers so that UFCO balances and customer agreements can be modified as necessary.

c. Close-out of UFCOs with residual balances.

(1) UFCO balances deemed invalid must be cancelled and removed from general ledger amounts subject to financial reporting. OCFO fund managers (persons certifying the availability of funds) have the authority and responsibility to cancel balances \$100,000 or less if deemed invalid.

(2) The following procedures should be followed to cancel invalid obligations:

(a) Upon performance of semi-annual analysis, OCFO fund managers will generate a list of UFCOs proposed to be cancelled and present it to the SSO CO and their Director for review and approval.

(b) CO or Director shall respond to the OCFO fund manager within 30 days justifying in writing why any UFCO on the list should not be canceled.

(c) If the fund manager receives no response from the CO, the fund manager shall reissue the request for justification in 30-day cycles until a response is received. The request will progressively move to the next level of management with each 30-day cycle.

(d) When a CO approves the cancellation under items (b) or (c) above, the CO shall prepare the appropriate document/action necessary (such as a modification) for the interagency agreement records.

(3) Actions by the OCFO fund managers shall be considered an internal financial accounting action and shall have no bearing on the Government's rights and duties under the agreements until the CO officially modifies or closes the interagency agreement. An agreement file shall not be closed if:

(a) An underlying contract is in litigation or under appeal or,

(b) In the case of a termination, all termination actions have not been completed.

d. **Non-contracting Officer Acquisitions.** For UFCOs created that did not require the signature of a CO (FAR Subpart 17.5, Interagency Acquisitions), the fund manager has the authority to correct or cancel any UFCO that is deemed invalid. Examples of such document types include micro-purchases using the government-wide commercial purchase card, internal GSA Orders, and security clearances (e.g., IX, GX). The fund managers shall follow the financial system procedures below for cancellation and shall inform the originator of the UFCO of the cancellation.

e. **Financial System Procedures for Cancellation of UFCO.** The fund manager will ensure the cancellation or amendment of UFCO balances as follows:

(1) **Business Feeder System (Interface).** Some business lines have their own systems for capturing customer agreements, which send data to OCFO accounting system through an automated interface. In this situation, agreements must be canceled, closed, or amended in the business feeder system. The processing of the interfaced transaction in OCFO accounting system will complete the adjustment of the UFCO in OCFO accounting system. This process is necessary to keep the business feeder systems and the OCFO accounting system in balance. Delays in updating business feeder systems after deeming an UFCO invalid must be communicated to the appropriate OCFO fund manager to ensure general ledger records are adjusted as needed for monthly financial reporting.

(2) **Business Non-Feeder System (Non-Interface).** Other business lines have customer order systems that do not have an automated interface with the OCFO accounting system. In this case, the UFCO records are created in the non-feeder business system and manually entered directly into OCFO accounting system. In this situation, the UFCO must be canceled in the non-feeder business system and then canceled in OCFO accounting system by manual entry.

Appendix A - Acronyms

AB	Agency Bureau
ABA	American Bankers Association
ACH	Automated Clearing House
ADRA	Administrative Dispute Resolution Act of 1986
ALC	Agency Location Code
AUTOPAY	Automotive Payment System
AWG	Administrative Wage Garnishment
BG	Office of Financial Management
BGA	Accounting and Financial Reporting Division
BGF	FAS Financial Services Division
BGN	Financial Policy Division
BOAC	Billed Office Address Code
BPN	Business Partner Network
CAF	Customer Access Fee
CCLR	Claims Collection Litigation Report
CCR	Central Contractor Registration
CFO	Chief Financial Officer
CFO Act	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CIR	Collections Information Repository
CIS	Congressional Inventory System
CNC	Currently Not Collectible
CO	Contracting Officer
COC	Customer Originated Credits
CPC	Consolidated Processing Center
CSC	Customer Supply Center
DATA Act	Digital Accountability and Transparency Act of 2013
DCIA	Debt Management Improvement Act
DMS	Debt Management Services (within the Treasury Bureau of the Fiscal Service)
DOJ	Department of Justice
DUNS	Data Universal Number System
EFT	Electronic Funds Transfer
EIN	Employer Identification Number
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FAST	Federal Account Symbols and Titles
FASAB	Federal Accounting Standards Advisory Board

FCCS	Federal Claims Collections Standards
FDCPA	Fair Debt Collection Practices Act
FDS	Fedwire Deposit System
FEDREG	Federal Agency Registration
FEDPAY	Federal Supply Service Payment System
FEHB	Federal Employee Health Benefits
FMC	Fleet Management Center
FMLOB	Financial Management Line of Business
FOIA	Freedom of Information Act
FPA	Federal Program Agencies
FRB	Federal Reserve Bank
FTR	Federal Travel Regulation
FY	Fiscal Year
GAO	Government Accountability Office
GSA	General Services Administration
GSAM	General Services Administration Acquisition Manual
GWAC	Governmentwide Acquisition Contract
HSSOs	Heads of Services and Staff Offices
HCA	Head of Contracting Activity
IPAC	Intragovernmental Payment and Collection
IRS	Internal Revenue Service
LWOP	Leave Without Pay
NCSC	National Customer Service Center
OAS	Office of Administrative Services
OCFO	Office of the Chief Financial Officer
OHRM	Office of Human Resources Management
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAD	Pre-Authorized Debits
PL	Public Law
PBS	Public Building Service
PSB	OCFO Payroll Services Branch
RC	Regional Commissioner
REX	Remittance Express
RITS	Retirement and Insurance Transfer System
RWA	Reimbursable Work Authorization
SF	Standard Form
SFFAS	Statement of Federal Financial Accounting Standards
SSO	Services and Staff Offices

TAPS	Transportation Accounts Payable System
TFM	Treasury Financial Manual
TIN	Tax Identification Number
TOP	Treasury Offset Program
TRACS	Treasury Receivable Accounting and Collection System
TROR	Treasury Report on Receivables
TRS	Transaction Reporting System
UDO	Undelivered Order
UFCO	Unfilled Customer Order
USC	United States Code
USSGL	United States Standard General Ledger
VSIP	Voluntary Separation Incentives Program

Appendix B. Glossary

Acceleration. Is declaring the full amount of a debt due and payable in the event that a debtor defaults on the terms of an installment payment agreement. Acceleration is permitted in accordance with an acceleration clause included in the agreement

Accrue. Is the process of increasing account value, usually associated with interest or other time-dependent increments of account value.

Administrative Costs/Late Charges. Are additional costs incurred in processing and handling a debt because it has become delinquent. Costs should be based on actual costs incurred or cost analyses which estimate the average of actual additional costs incurred for particular types of debt at similar stages of delinquency. Administrative costs should be accrued and assessed from the date of delinquency (see “Delinquent”).

Administrative Offset. Is to withhold money payable by the Government to or held by the Government for a person or entity in order to satisfy a debt the person or entity owes.

Administrative Wage Garnishment (AWG). Is a process whereby a Federal agency issues a wage garnishment order to a delinquent debtor’s non-Federal employer. No court order is required. The employer withholds amounts from the employee’s wages in compliance with the order and pays those amounts to the Federal creditor agency to which the employee owes a debt.

Allowances. Refer to payments made for subsistence, quarters, uniforms, family separate maintenance allowances, and overseas station allowances. Allowance does not include travel expenses or expenses to transport household goods.

Automatic Stay in Bankruptcy. Is the statutory court order that prohibits a creditor from pursuing further collection action against a debtor while the debtor’s bankruptcy is pending.

Bankruptcy. Is a legal procedure for dealing with debt problems of individuals and businesses; specifically, a court case filed under one of the chapters of title 11 of the USC (Bankruptcy Code).

Claim. Is interchangeable and synonymous with the term “debt,” for purposes of this document (see “Debt”). Alternative meanings of the word “claim” include a request (1) submitted by a lender for Government payment of a defaulted guaranteed loan; (2) filed with DOJ for the pursuit of litigation and/or enforced collection of an account; or (3) filed with an agency for the payment of an amount

considered due to the submitting individual or organization, such as for medical insurance.

CCLR. Is a DOJ form for use in referring debts to the DOJ for litigation and enforced collection. The CCLR is also used for the referral of debts to DOJ for its concurrence on a proposed compromise, suspension or termination of collection action.

Collateral. Is any property pledged as security for a loan.

Collection. Is the process of receiving amounts owed to the Government, such as payment on a debt.

Compromise (also known as Settlement). Is to accept less than the full amount of the debt owed from the debtor in satisfaction of the debt. Also referred to as "settlement."

Credit. Is a promise of future payment in kind or in money given in exchange of present money, goods, or services.

Credit Bureau (also known as Credit Reporting Agency). Is a private sector entity which collects financial information on debtors and whose reports on debtors reflect information received from the public and private sectors.

Credit Report. Is a document issued by a credit bureau containing data about the credit history of a person.

Cross-Servicing. Is the process whereby agencies refer delinquent Federal non tax debts to Fiscal Service for collection. Fiscal Service applies a variety of collection tools once agencies refer their debts.

CNC and Close-Out. Are classifications for writing-off the debt that indicate whether or not the agency will continue debt collection actions after write-off. See OMB Circular No. A-129, Section V.5. At the time of write-off, an agency should classify the debt as CNC when it intends to continue cost effective debt collection action. An agency closes out a debt when it determines that further debt collection actions are prohibited (for example, a debtor is released from liability in bankruptcy) or the agency does not plan to take any future actions (either active or passive) to try to collect the debt. When a debt is classified as closed-out, an agency must determine if the amount due on the debt should be reported to the IRS as potential income to the debtor under Section 6050P of the Internal Revenue Code (26 U.S.C. § 6050P). An agency reports such debts to the IRS using IRS Form 1099-C.

Debt. Is interchangeable and synonymous with the term “claim,” for purposes of this document. It refers to an amount of money or property which has been determined by an appropriate Federal official to be owed to the U.S. from any person, organization, or entity other than another Federal agency.

Included as debts are amounts due the U.S. from loans, fees, duties, leases rents, royalties, services, sales for real or personal property, overpayments, fines, penalties, damages, taxes, interest, forfeitures, and other sources.

Debt Collection. Describes the efforts to recover amounts due after the debtor fails to make the payment. This activity includes the assessment of the debtor’s ability to pay, the exploration of possible alternative arrangements to increase the debtor’s ability to repay and other efforts to secure payment.

Delinquent. A debt becomes delinquent when (1) payment is not made by the due date or the end of the "grace period" as established in a loan or repayment agreement, in the case of debt being paid in installments (the date of delinquency is the payment due date); or (2) payment is not made by the due date specified in the initial billing notice, in the case of administrative debts such as fines, fees, penalties, and overpayments. The due date is usually 30 days after the agency mailed the notice. The date of delinquency for administrative debts is the date the agency mailed or delivered the billing notice.

Demand Letter (also known as Dunning Notice). Is a written notification sent by the agency to the debtor to notify the debtor of the debt’s delinquent status when the debt is not resolved after the initial contact with the debtor. The demand letter may include notice of various debt collection tools that could be used to collect the debt, as well as opportunities to avoid the debt collection actions.

Disposable Pay. Is an amount of a person’s wages based on subtracting from gross pay certain statutory or regulatory deductions from gross pay (such as income taxes). Disposable pay is used to determine the amount which can be offset from a Federal Salary, and is used to determine the amount which may be collected from a debtor’s non-Federal pay through administrative wage garnishment.

Due Process. In the context of Federal debt collection, the constitutional right of “due process” requires an agency to provide debtors with notice of, and the opportunity to dispute, a debt or intended debt collection action. The Fifth Amendment to the United States Constitution provides that no person shall “be deprived of life, liberty or property without due process of law. . . .”

DUNS Number. A unique nine-digit identification number for each physical location of your business. D-U-N-S Number assignment is free for all businesses

required to register with the Federal Government for contracts or grants.

Fault. Exists if, in light of all the circumstances, it is determined the employee knew, or should have known, that an error existed, but failed to take action to have it corrected. Fault can be derived from an act or a failure to act. Unlike fraud, fault does not require a deliberate intent to deceive. Whether an employee should have known about an error in earnings is determined from the perspective of a reasonable person.

Federal Shared Services Provider. Entity that seeks to improve the cost, quality, and performance of Government processes by consolidating agency core administrative and support functions and standardizing related business processes Government-wide. For more information, see FMLOB.

Financial Management Line of Business. Is a Federal government-wide initiative providing solutions that respond to the financial management needs of participating agencies and seeks to improve the cost, quality, and performance of Government processes by consolidating agency core financial management functions and standardizing related business processes government-wide. For the purposes of this manual, financial management processes are to include all general accounting services except for internal and external customer payroll services (see Payroll Services Provider for more information).

Installment Loan/Agreement. Represents an obligation to repay monies borrowed or owed in more than one payment at fixed intervals over time.

Interest. Is a sum paid or calculated for the use of capital. Financing interest is the charge assessed as a cost of extending credit as distinguished from additional interest which is the charge assessed on delinquent debts in order to compensate the Government for the time value of money owed and not paid when due. Additional interest is accrued and assessed from the date of delinquency.

Late Charges. Are the amounts accrued and assessed on a delinquent debt; the term includes administrative costs, penalties, and additional interest.

Legally Enforceable. Is a condition precedent for a debt being eligible for referral to Fiscal Service for collection action. A debt is considered legally enforceable for purposes of referral for cross-servicing if there has been a final agency determination the debt is due and there are no legal bars to one or more of the collection actions to be taken by Fiscal Service.

A debt is considered legally enforceable for TOP purposes if there has been a

final agency determination the debt is due and there are no legal bars to collection through the offset of Federal payments.

Litigation. Means any lawsuit or other resort to the courts to determine a legal question or matter. Litigation may be used, where appropriate, to enforce collection on a debt.

Pay. Means basic pay, special pay, incentive pay, retained pay, or in the case of an individual not entitled to basic pay, other authorized pay. Pay does not include travel expenses or expenses to transport household goods.

Payroll Services Provider. Entity that seeks to improve the cost, quality, and performance of Government processes by consolidating agency core payroll functions and standardizing related business processes government-wide. For the purposes of this manual, the Payroll Services Branch is the responsible for managing GSA employee debts and provides payroll services for GSA including, but not limited to, collection and management of GSA employee debt via administrative salary offsets to biweekly pay, issuing demand or due process letters to active employees, managing separation or due process separated employee debt packages, and preparing and coordinating investigation packages for separated employees.

Penalty. Is a charge assessed on delinquent debts to discourage delinquencies and encourage early payment of the delinquent debt in full. The rate to be assessed is set by law at no more than six percent per year and is assessed on the portion of a debt remaining delinquent more than 90 days, although the charge will accrue and be assessed from the date of delinquency.

Principal. Is the amount owed to the Government by a borrower or other debtor which excludes interest, penalties, administrative costs, loan fees, and prepaid charges.

Private Collection Agency. Is a private sector entity whose primary business is the collection of delinquent debts.

Receivable. Is an amount owed the Government by an individual, organization, or other entity to satisfy a debt or claim. Examples of receivables generated by Government activities include amounts due for taxes, loans, the sale of goods and services, fines, penalties, forfeitures, interest, and overpayments of salaries and benefits.

Recoupment. Is a special type of offset of a payment made under a contract to collect a claim arising under the same contract

Reimbursable Agreement. A contractual relationship under which the Service provides a product or service to a non-Service party, the costs of which are reimbursed by the recipient. Federal reimbursable agreements allow federal agencies as well as the Department of Defense to perform work on behalf of others and then be reimbursed for the work performed.

Repayment Agreement. Establishes the terms and conditions governing the recovery of a debt. Repayment agreements should be written or reduced to writing as soon as possible after such an agreement is reached.

Salary Offset. Is the process of collecting a delinquent Federal nontax debt from a Federal employee's current pay without his or her consent. Salary offset should be accomplished through centralized offset, unless centralized offset is unavailable.

Sponsored Entity. Sponsored entities are contractors who use Government supply sources in performing Government cost-reimbursement contracts. For a contractor to claim sponsorship status, a written authorization must exist between the Federal agency and contractor.

Taxpayer Identifying Number. Is the Social Security Number (SSN) for individuals or the Employee Identification Number (EIN) for business organizations or non-profit entities.

Terminate Collection Action. Is a decision to cease active collection action on a debt, in accordance with criteria set out in the Federal Claims Collection Standards, because such collection action is not economically worthwhile or is otherwise inappropriate. The program decision to terminate collection action and the accounting decision to write-off a debt often coincide, however, the determinations to terminate collection action and to write-off a debt are made for different reasons, and where appropriate and consistent with the agency's debt collection strategy for a particular class of debts, may be made at different times.

Unfilled Customer Order. The amount of orders accepted for goods and services not yet provided or performed with or without an advance.

Waiver. For purposes of debt management, waiver means the cancellation, remission, forgiveness, or non-recovery of a debt owed by an employee to a Federal agency.

Write-Off. Is an accounting action that results in reporting the debt/receivable as having no value on the agency's financial and management reports. The agency does not need DOJ approval to write-off a debt since the agency is only adjusting its accounting records.